The Principles of Natural Taxation

C. B. Fillebrown

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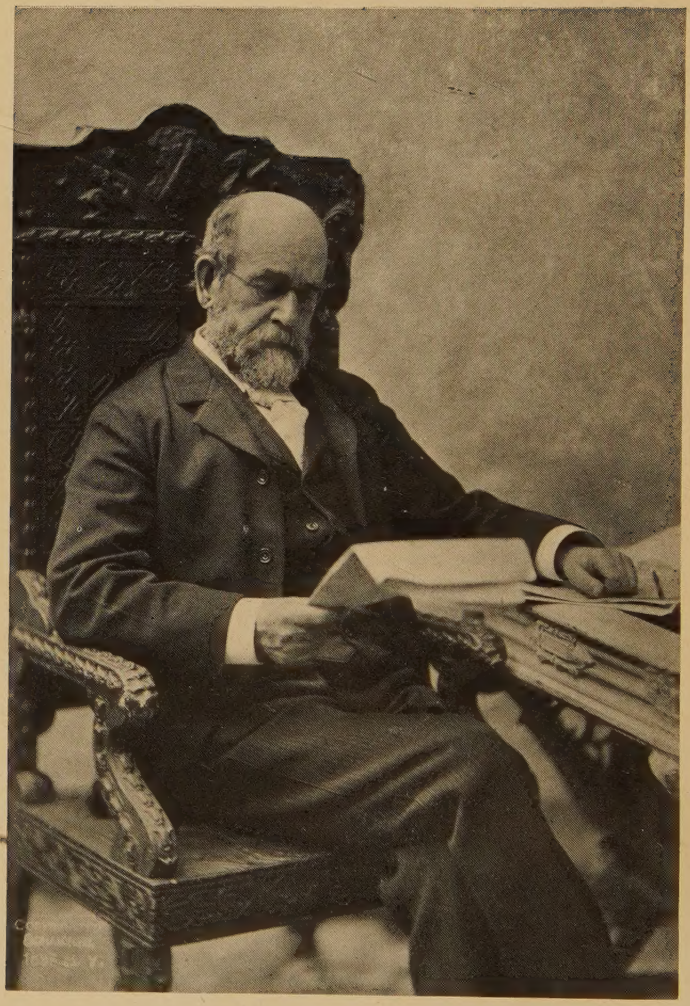
THE PRINCIPLES OF NATURAL TAXATION



HENRY GEORGE

1839-1897

The Principles of Natural Taxation

SHOWING THE ORIGIN AND PROGRESS OF PLANS FOR THE PAYMENT OF ALL PUBLIC EXPENSES FROM ECONOMIC RENT

BY

Charles Bowdoin

C. B. FILLEBROWN

Author of "A. B. C. of Taxation," "Taxation," Etc., Etc.

WITH PORTRAITS

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To the

PROFESSORS OF POLITICAL ECONOMY

Whose courtesy, interest
and obliging cooperation
have greatly forwarded
this volume, it is re-
spectfully dedicated by

THE COMPILER.

the authorities on the land problem appear to have been impressed with the truth that the answer to their questions is to be found in the cause, magnitude, and treatment of economic rent. It is wonderfully interesting, moreover, to note with what rapidity this truth has grown into the understanding of those who in more recent years have given it their consideration. Incidentally, this book challenges a host of economic errors and omissions, collective or individual, grave or venial, among which are: (1) that the indestructible properties of the soil are a source of rent; (2) that agricultural values should not equally with urban values be classed as site values; (3) that "to appropriate rent by taxation" means the abolition of the institution of private property in land; (4) that the joint right to the rent of land is a logical deduction from the equal right to land itself; (5) failure to emphasize Henry George's distinct transition from common right to land to joint right to rent; (6) omission to emphasize the fact that the assessed value of land is an untaxed value; (7) that when the storekeeper's rent is raised, he has got to raise the prices of his goods. While this volume is a revision and enlargement of *A Single Tax Handbook for 1913,* which it was thought might reappear at intervals, it is issued with the idea of permanence, as representing the best authorities, early and late, upon the development of the idea.

Only those writers are given leading space in this collection who have been pioneers and specialists in this field of thought. Numerous other writers whose names have been associated, some of them intimately, with Henry George cannot claim classification with him when tested by the tenets which they have advocated. An analysis of the real views of these writers will be given in an Appendix. Much care has been exercised in trying to make this analysis just and fair,

although the compiler is fully conscious that in criticism it is not easy to avoid mistakes. Those who are curious as to the proofs or doubtful of the truth of what is offered may easily assure themselves by reference to original texts. The intent has been that anything of questionable pertinence, or anything that may hinder the mind from direct approach to the subject, should find its subordinate place in an Appendix, in order that the volume proper may be reserved for the collection of what so far as possible may be relied upon as sound doctrines.

It is hoped that the student will find here most of the essential facts and principles of taxation clarified by persistent discussion and backed by the agreement of the ablest economic authorities. A very complete index serves for the ready location of even scattered references.

For many excellencies in this book, I am under lasting obligation for the suggestions of my friends who have read the whole manuscript, Mr. Bolton Hall, Mr. Charles T. Root and Mr. Alexander Mackendrick.

C. B. F.

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INTRODUCTION

THE proposal to obtain all public revenue from economic rent, popularly known as the single tax, is based upon the well-known theory that such rent is a social product, a form of income which arises from the growth of population and the energy and enterprise of the people as a whole, rather than from any productive energy or enterprise by the landowner who receives it.

Proposals for reform bearing a more or less remote resemblance to the "single tax," and based upon alleged principles of justice or expediency, antedated the Ricardian doctrine of rent. Although based upon various principles and frequently bearing only a remote resemblance to the single tax, they have, nevertheless, considerable significance. In the first place, the hostility to landlordism which they generated has had much to do with the spirit and vitality, especially in various mistaken features, of the modern movement. In the second place, the defective principles upon which these propositions were based have to some extent interpenetrated the modern movement, resulting in confusion of thought even among economists of today. It is hoped that by an examination of some of these earlier proposals the distinction between them and the present fiscal proposal to obtain all revenue from economic rent may become apparent, and the aforesaid confusion may be removed.

It will be seen that those earlier reforms were suggested upon the theory that land is the heritage of the race as a whole, to which, in its original state as a gift of the Creator,

all men have equal rights. In consequence of this supposed natural right of all men to all the land, some were led to deny the right of private ownership by individuals to any of it, and to propose, as a remedy for the injustice to the disinherited, either a periodical parcelling out of the land, or state nationalization. Whatever weight may be attached to this hypothetical premise and conclusion, it is quite irrelevant to the question of natural taxation and has, unfortunately, proved a stumbling-block to many minds in the way of understanding that theory. The appropriation by taxation of economic rent to the community as their joint right is amply justified by the fact that such rent is a social product, a form of income due not to the efforts of the individual but to the joint activities of the community. This will become apparent to the reader when he studies the nature and origin of economic rent.

The complete transition from the theory of equal rights to land, to an understanding of the joint rights to rent, is extremely interesting, and repetition cannot stale it.

Much has been written in exaltation of the "visions" of dreamers who each believes himself to be a repository of a special revelation. Henry George added his quota to this record and put his seal upon the "vision" of the equal right of all men to the land. All writers have agreed, however, that the division of the benefits of equal right to land, as the generations of men proceed, is a mechanical impossibility. The benefits of rent, on the other hand, will diffuse themselves automatically and inevitably under the single tax, while the obstacles to such diffusion will decrease in proportion as economic rent increases.

In the case of "no-rent" land, the benefit on the one hand of its impossible division and on the other hand of the automatic diffusion of its rent at or near the margin of cultivation

would be but trifling. For this reason there is danger of overrating the benefit to mankind (even as illustrations of the single tax) of rural settlements, such as Arden, Fairhope, Harvard, and others. Further proof of this may be found in the acknowledged failure of many experiments of a philanthropic character in making land free to the settlement of labor.

So, in retrospect, we are able to bear witness to three culminating steps, recorded almost within a single decade.

(1) Henry George presented his triumphant alternative in "the appropriation of rent by taxation." This was the bright oasis in the desert of sterile "vision" to which (leaving out of account the equal right to land itself) he conducted us.

(2) A dozen years later, as though to clear up the charge of "nationalization," he formally substituted for the equal right to land the common right to rent, in the following gentle rebuke: "The primary error of the advocates of land nationalization is in their confusion of equal rights with joint rights. In truth, the right to the use of land is not a joint or common right, but an equal right; the joint or common right is to rent.[1]"

(3) Mr. Shearman, who entered the discussion in 1892, ignoring entirely the "prophecy" and the "vision" feature, and, disregarding the question of equal rights, declared the common enjoyment of rent to be Nature's method of taxation. He began and ended where George left off with the taxation of rent.

Authorities. — Of the principal authorities whose contributions to the theory of natural taxation form the body of this volume, the first place is given to Adam Smith. His name

[1] George, Henry, *A Perplexed Philosopher*, p. 242, Doubleday, Page & Co., New York.

is placed at the head of the British procession as a tribute to his great fame and achievements which were far in advance of his time.

If we were dealing merely with the nature and origin of economic rent, the next place would be given, unquestionably, to David Ricardo, who was the first economist fully to develop this important problem. But Ricardo made no notable contribution to the problem of the taxation of rent, otherwise his name would be included in this list of authorities.

John Stuart Mill (1848), an English economist, and Patrick Edward Dove (1850), an English squire, adequately cover the middle period of the nineteenth century.

Edwin Burgess (1859), a tailor from England, and Sir John Macdonell (1873), an English collegian, spanned the next quarter of the century, 1850 to 1875. Both may be new to the general reader of today, but each efficiently accomplished his task.

In the last quarter of the century the completion of the work fell to American hands. Henry George, a journeyman printer of rare insight and eloquence, and Thomas G. Shearman, one of the ablest of New York lawyers, left the doctrine of natural taxation in a form to which little has been added except by way of reiteration and illustration. Shearman, as it were, supplemented with a publicist's bill of particulars a great moralist's declaration of rights.

It can hardly be out of place here to present an answer to a question which naturally occurs. Why have not Mr. Shearman's writings found a wider notice? One simple answer should be offered. A dozen years elapsed between the appearance of *Progress and Poverty* and Mr. Shearman's *Natural Taxation,* and the confirmed Henry George "moral reformers," with only an occasional exception, "sat down"

upon Mr. Shearman, dubbing him a "mere fiscal reformer." In a climax of practical absurdity these critics insisted upon putting him outside the orthodox pale as a "limited Single Taxer," because in comparing the taxes and the estimated ground rent of his own day he found that, as a matter of fact, the taxes absorbed less than one-half of the ground rent. He distinctly said:

> In the long run there will be no such question to decide. The honest needs of public government grow faster than population, and fully as fast as wealth itself. Local taxation will increase rapidly; and it ought to do so. . . . . This does not imply that ground rent will not be sufficient to supply many, possibly all, of those additions to human happiness which Henry George has pictured in such glowing words. But such extensions of the sphere of government must take place gradually; or they will be ruinous failures, simply because the state cannot at once furnish the necessary machinery for their successful operation.[1]

Instead of welcoming the reinforcement of this princely Apollos for his watering of the tree which their Paul had planted, they rejected his teaching as tainted. Single Taxers having set such a pace of disparagement themselves, what could be expected of the outer world?

Sidelights.—"A Burdenless Tax" (chap. IX), expresses the effort to make clear in kindergarten fashion the old fact that a land tax ceases to be a tax. "Land: the Rent Concept; the Property Concept" (chap. X) aims to correct prevalent errors. "Taxation and Housing" (chap. XI) points out the accelerating ills of privilege. "Thirty Years of Henry George" (chap. XII) gives a résumé of the principal features of the movement, whether fruitful or unfruitful. "Henry George and the Economists" (chap. XIII) is a review of

[1] Shearman, Thomas G., *Natural Taxation*, chap. IX, p. 133, Doubleday, Page & Co., New York.

Henry George's arraignment of Herbert Spencer as "the Perplexed Philosopher." "The Professors and the Single Tax" (chap. xiv) is radical criticism of particular positions, tempered with liberal appreciation of professors in general. It is a defense of the Single Tax against a formidable body of undigested criticism which professors as a class would not indorse. The "Catechism" (chap. xv) contains definitions of nearly all the general terms used in discussing taxation.

Appendix. — The estimate here given of physiocratic thought may provoke surprise and, possibly, temporary resentment, but it is believed that when better understood the physiocratic doctrine will be found to have little in common with the single-tax theory of today. Spence, a teacher by profession, got little if any beyond the assumption by the community of both land and improvements; while Ogilvie, a university man, though he failed to apprehend the social source of economic rent, yet failed but by a hair's breadth. The more familiar one becomes with the story of all these men, the less is the wonder that Henry George and others have, with due acknowledgments, passed them lightly over.

The vanishing value of the Herbert Spencer chapter lies in its interpretation of his *Social Statics* of 1850 and his *Justice* of 1892. Spencer, in common with Henry George and many of his alleged disciples, asserted valiantly that private property in land was wrong. Coming later to realize that this position was untenable, he simply recanted the first six sections of his *Social Statics* and retired into the wilderness, while George, advancing his ground from property in land to property in the *rent* of land, led his people, not only to Pisgah's height, but triumphantly into the Promised Land itself.

Part I

THE AUTHORITIES

CHAPTER I

Adam Smith, 1739–1790

ADAM SMITH, to whom is usually assigned the honor of raising political economy to the dignity of a science, was born at Kirkcaldy, in Scotland, in 1723. He was educated at Glasgow and Oxford, and was for years a professor in the University of Glasgow. He spent two years in travel on the Continent as tutor to the young Duke of Buccleuch. During these travels his mind received perceptible stimulus from the physiocrats, with whom he came much in contact. The ten years following he spent in studious retirement at Kirkcaldy reflecting upon the economic problems to which his mind had been directed during his travels. At the end of this period his epoch-making work, an *Inquiry into the Nature and Causes of the Wealth of Nations,* appeared, a work which even after the lapse of nearly a century and a half still forms the groundwork of economic theory.

In this great work we find most of the broad economic laws which characterize the science of today either fully elaborated or hinted at, and the whole arranged in a scheme of orderly development, showing the power of his mind for connected and comprehensive grasp of principle. The prevailing "mercantile system" was attacked and its fallacy revealed. The wealth of a country was shown to depend upon the skill with which its labor is applied, and not upon the gold and silver within its borders. The gains from the division of labor were explained and the true nature of money was elucidated.

The laws of price and value were discussed, and the nature and function of capital. The laws of the distribution of the social income in wages, profits, and rent were also developed.

In regard to rent, the honor of fully developing its nature and law is usually assigned to Ricardo. While Smith hinted at the true relation between rent and price, he yet believed that ground rent formed a part of price. Although he fell but little short of a complete understanding of the nature of rent, he was in fact more than a hundred years ahead of his contemporaries, while in perceiving the fitness of rent as a source of revenue to the government he anticipated Henry George by a century. The passage containing his plea for the taxation of ground rent is in every way so forceful and admirable that it deserves to be reproduced in full.

> Ground rents are a still more proper subject of taxation than the rent of houses. A tax upon ground rents would not raise the rents of houses. It would fall altogether upon the owner of the ground rent, who acts always as a monopolist, and exacts the greatest rent which can be got for the use of his ground. More or less can be got for it according as the competitors happen to be richer or poorer, or can afford to gratify their fancy for a particular spot of ground at a greater or smaller expense. In every country the greatest number of rich competitors is in the capital, and it is there accordingly that the highest ground rents are always to be found. As the wealth of those competitors would in no respect be increased by a tax upon ground rents, they would not probably be disposed to pay more for the use of the ground. Whether the tax was to be advanced by the inhabitant, or by the owner of the ground, would be of little importance. The more the inhabitant was obliged to pay for the tax, the less he would incline to pay for the ground; so that the final payment of the tax would fall altogether upon the owner of the ground rent. The ground rents of uninhabited houses ought to pay no tax.
>
> Both ground rents and the ordinary rent of land are a species of revenue which the owner, in many cases, enjoys without any

care or attention of his own. Though a part of this revenue should be taken from him in order to defray the expenses of the state, no discouragement will thereby be given to any sort of industry. The annual produce of the land and labor of the society, the real wealth and revenue of the great body of the people, might be the same after such a tax as before. Ground rents and the ordinary rent of land are, therefore, perhaps, the species of revenue which can best bear to have a peculiar tax imposed upon them.

Ground rents seem, in this respect, a more proper subject of peculiar taxation than even the ordinary rent of land. The ordinary rent of land is, in many cases, owing partly at least to the attention and good management of the landlord. A very heavy tax might discourage too much this attention and good management. Ground rents, so far as they exceed the ordinary rent of land, are altogether owing to the good government of the sovereign, which, by protecting the industry either of the whole people, or of the inhabitants of some particular place, enables them to pay so much more than its real value for the ground which they build their houses upon; or to make to its owner so much more than compensation for the loss which he might sustain by this use of it. Nothing can be more reasonable than that a fund which owes its existence to the good government of the state should be taxed peculiarly, or should contribute something more than the greater part of other funds, towards the support of that government.[1]

It will be seen that in this quotation are embodied all the essential elements of the modern doctrine of the "single tax." "Ground rents are a still more proper subject of taxation than the rent of houses." "A tax upon ground rents would not raise the rents of houses. It would fall altogether upon the owner of the ground rent." They are a species of revenue "which the owner in many cases enjoys without any care or attention of his own." A discrimination is made between ground rents and ordinary rents, and the superior fitness of

[1] Smith, Adam, *The Wealth of Nations* (1776), Book v, chap. ii, Part i, article i.

the former as a subject of taxation is pointed out: "The ordinary rent of land is, in many cases, owing partly at least to the attention and good management of the landlord. A very heavy tax might discourage too much this attention and good management." Finally, the true nature of ground rent as a social product, and hence the perfect propriety of taxing it for the benefit of the whole people, is clearly pointed out: "Ground rents, so far as they exceed the ordinary rent of land, are altogether owing to the good government of the sovereign."

When we consider that *The Wealth of Nations* appeared in 1776 and that the work of Henry George did not appear till about a century later, it seems just that advocates of natural taxation should place on the same scroll side by side with the name of Henry George the name of Adam Smith as one of the founders of their great reform.

CHAPTER II

John Stuart Mill, 1806–1873

JOHN STUART MILL was born in London in 1806 and died in Avignon in 1873. He was educated by his father and as a child displayed a most precocious intellect. Beginning the study of Greek at the age of three, he had read the most important works of Greek and Latin authors by the time he was twelve. He began the systematic study of political economy at the age of fourteen, and his *Essays on Political Economy,* showing mature thought, were written when he was twenty-four. The keen, intellectual vigor which he displayed as a child he retained through life. He wrote copiously on many subjects, and every field which he touched he illuminated. Among his best known works are his *Logic, Unsettled Questions of Political Economy, Principles of Political Economy, Essays on Liberty, Utilitarianism, Examination of Sir William Hamilton's Philosophy, The Subjection of Women.* He was for many years in the service of the East India House in London, rising to the position of chief examiner. He was elected to Parliament in 1865 and there championed the cause of equal suffrage for women and the taxation of the future increment of economic rent.

In 1873 he wrote his autobiography, and from it we catch glimpses of an inner life no less remarkable than were its outward intellectual manifestations. He retained from early manhood to his death a passion for justice and human liberty and an intense sympathy for all whom he considered oppressed

by unwise laws or unjust social customs. He was ever ready to champion their cause. His sympathies for the laboring classes can be read between the lines of his *Political Economy;* and for the rights of women, in his essay on the "Subjection of Women" and in his work for equal suffrage while in parliament. The chief joy of his life was in the effort to transform the social order into one in which human nature might display itself on a freer and happier plane. For his philosophy was utilitarian, and human happiness the aim and end.

Taking the theory of rent as it came to him from his predecessors, Mill even more than they urged the necessity of taxing it. It was largely for the purpose of pressing this reform that he entered Parliament. His argument as given in his *Principles of Political Economy* (1848), Book v, chap. ii, secs. 5 and 6, for clear and convincing logic, has not been surpassed:

> Before leaving the subject of Equality of Taxation, I must remark that there are cases in which exceptions may be made to it, consistently with that equal justice which is the groundwork of the rule. Suppose that there is a kind of income which constantly tends to increase, without any exertion or sacrifice on the part of the owners: those owners constituting a class in the community, whom the natural course of things progressively enriches, consistently with complete passiveness on their own part. In such a case it would be no violation of the principles on which private property is grounded, if the state should appropriate this increase of wealth, or part of it, as it arises. This would not properly be taking anything from anybody; it would merely be applying an accession of wealth, created by circumstances, to the benefit of society, instead of allowing it to become an unearned appendage to the riches of a particular class.
>
> Now this is actually the case with rent. The ordinary progress of a society which increases in wealth is at all times tending to augment the incomes of landlords; to give them both a greater amount and a greater proportion of the wealth of the community, independently of any trouble or outlay incurred by

themselves. They grow richer, as it were in their sleep, without working, risking, or economizing. What claim have they, on the general principle of social justice, to this accession of riches? In what would they have been wronged if society had, from the beginning, reserved the right of taxing the spontaneous increase of rent, to the highest amount required by financial exigencies? I admit that it would be unjust to come upon each individual estate, and lay hold of the increase which might be found to have taken place in its rental; because there would be no means of distinguishing in individual cases, between an increase owing solely to the general circumstances of society, and one which was the effect of skill and expenditure on the part of the proprietor. The only admissible mode of proceeding would be by a general measure. The first step should be a valuation of all the land in the country. The present value of all land should be exempt from the tax; but after an interval had elapsed, during which society had increased in population and capital, a rough estimate might be made of the spontaneous increase which had accrued to rent since the valuation was made. Of this the average price of produce would be some criterion; if that had risen, it would be certain that rent had increased, and (as already shown) even in a greater ratio than the rise of price. On this and other data, an approximate estimate might be made, how much value had been added to the land of the country by natural causes; and in laying on a general land tax, which for fear of miscalculation should be considerably within the amount thus indicated, there would be an assurance of not touching any increase of income which might be the result of capital expended or industry exerted by the proprietor.

But though there could be no question as to the justice of taxing the increase of rent, if society had avowedly reserved the right, has not society waived that right, by not exercising it? In England, for example, have not all who bought land for the last century or more, given value not only for the existing income, but for the prospects of increase, under an implied assurance of being only taxed in the same proportion with other incomes? This objection, in so far as valid, has a different degree of validity in different countries; depending on the degree of desuetude into which society has allowed a right to fall, which, no one can doubt, it once fully possessed. In countries of Europe, the right to take by taxation, as exigency might require, an indefinite portion of the rent of land, has never been allowed to slumber.

In several parts of the Continent the land tax forms a large proportion of the public revenues, and has always been confessedly liable to be raised or lowered without reference to other taxes. In these countries no one can pretend to have become the owner of land on the faith of never being called upon to pay an increased land tax. In England the land tax has not varied since the early part of the last century. The last act of the Legislature in relation to its amount was to diminish it; and though the subsequent increase in the rental of the country has been immense, not only from agriculture, but from the growth of towns and the increase of buildings, the ascendancy of landholders in the legislature has prevented any tax from being imposed, as it so justly might have been, upon the very large portion of this increase which was unearned, and, as it were, accidental. For the expectations thus raised, it appears to me that an amply sufficient allowance is made, if the whole increase of income which has accrued during this long period from a mere natural law, without exertion or sacrifice, is held sacred from any peculiar taxation. From the present date, or any subsequent time at which the legislature may think fit to assert the principle, I see no objection to declaring that the future increment of rent should be liable to special taxation; in doing which all injustice to the landlords would be obviated, if the present market-price of their land were secured to them, since that includes the present value of all future expectations. With reference to such a tax, perhaps a safer criterion than either a rise of rents or a rise of the price of corn would be a general rise in the price of land. It would be easy to keep the tax within the amount which would reduce the market-value of land below the original valuation: and up to that point, whatever the amount of the tax might be, no injustice would be done to the proprietors.

6. But whatever may be thought of the legitimacy of making the State a sharer in all future increase of rent from natural causes, the existing land tax (which in this country unfortunately is very small) ought not to be regarded as a tax, but as a rent-charge in favor of the public; a portion of the rent, reserved from the beginning by the State, which has never belonged to or formed part of the income of the landlords, and should not therefore be counted to them as part of their taxation, so as to exempt them from their fair share of every other tax. As well might the tithe be regarded as a tax on the landlords: as well,

in Bengal, where the State, though entitled to the whole rent of the land, gave away one-tenth of it to individuals, retaining the other nine-tenths, might those nine-tenths be considered as an unequal and unjust tax on the grantees of the tenth. That a person owns part of the rent does not make the rest of it his just right, injuriously withheld from him. The landlords originally held their estates subject to feudal burdens, for which the present land-tax is an exceedingly small equivalent, and for their relief from which they should have been required to pay a much higher price. All who have bought land since the tax existed have bought it subject to the tax. There is not the smallest pretence for looking upon it as a payment exacted from the existing race of landlords.

The legislative program by which Mill sought to realize the principles laid down in the above quotation may be found in a pamphlet which he prepared for the Land Tenure Reform Association for the popularization of these ideas. "It is proposed," we read (sec. 4):

To claim for the benefit of the state the interception by taxation of the future unearned increase of the rent of land (so far as the same can be ascertained) or a great part of that increase, which is continually taking place without any effort or outlay by the proprietors merely through the growth of population and wealth; reserving to owners the option of relinquishing their property to the state at the market value which it may have acquired at the time when this principle may be adopted by the legislature.

In explaining and defending the program of the Association, he argues that—

in allowing the land to become private property, the state ought to have reserved to itself this accession of income, and that lapse of time does not extinguish this right, whatever claim to compensation it may establish in favor of the landowner. The land is the original inheritance of mankind. The usual, and by far the best argument for its appropriation by individuals is that private ownership gives the strongest motive for making the soil yield the greatest possible produce. But this argument is

only valid for leaving to the owner the full enjoyment of whatever value he adds to the land by his own exertions and expenditure. There is no similar reason for allowing him to appropriate an increase of value to which he has contributed nothing, but which accrues to him from the general growth of society; that is to say, not from his own labor and expenditure, but from that of other people — of the community at large.

From the foregoing quotations it is clear that Mill recognizes the principle that land is the original inheritance of mankind, that is, the principle of the equal right to land. But he does not emphasize this point as a reason for the taxation of economic rent. Rather, he finds the justification of its appropriation by the state in the fact that it is an income due, not to labor and investment on the part of the landlord, but to the general social growth in population and wealth. He, however, recognizes the force of the "vested rights" argument. It would have been entirely consonant with justice had the state appropriated this entire "unearned increment" from the start. Private ownership should only have been permitted on these terms. But this was not done. Men had become landed proprietors with the understanding that the rent of their lands was to be their private income. This income had increased, and transfers of investments and real estate had been made in good faith on the strength of this increase up to the present time. Very well, let bygones be bygones. But for the future let no such unearned increment be allowed. Moreover, the state is to reserve from private ownership such lands as are still at its disposal.

From the nature of this very conservative proposal it is evident that the revenue from economic rent could not, in his opinion, be a "single" tax — it would be insufficient. It was to be only a part of a general system of taxation whose merits are discussed in other chapters of his book.

CHAPTER III

Patrick Edward Dove, 1815–1873

PATRICK EDWARD DOVE was born in Lasswade, near Edinburgh, Scotland, July 31, 1815. He came of an old and distinguished Scottish family. As a young man he traveled widely, and lived for a time in Paris and in London. About 1840 he came into the family property in Ayrshire, Scotland. There he lived on his estate the life of a bachelor squire until 1848, when an unfortunate investment wiped out his fortune. Shortly after this he married and went to live in Darmstadt, Germany, where he studied, wrote, and lectured. In 1850 he published his *Theory of Human Progression.* The work appeared in a limited edition published simultaneously in London and Edinburgh. It was read and praised by distinguished scholars, but never attracted general public attention. In his introduction to the edition of the book brought out in 1895 in New York, Mr. Alexander Harvey states:

> Carlyle read and praised the volume. He is quoted as acclaiming it the voice of a new revolution, an education in economics. Sir William Hamilton, the great philosopher, pronounced the book epoch-making, and calculated to rally mankind to great reforms. Professor Blackie likewise praised it highly. Our own Charles Sumner was so impressed by it that he circulated many copies in the United States and persuaded Dove to write in behalf of the emancipation movement.
>
> For all that the book failed to make its way and before many years was utterly forgotten. It became very scarce in time, and the demand for it on the part of a few scholars was supplied with difficulty. What Dove did for scholars, George achieved for the masses.

After publishing his book, Dove left Germany and lived in Edinburgh for a time, later in Glasgow. He wrote somewhat extensively on economic, philosophic, and religious subjects. In his later years he interested himself actively in military science. In 1860 he was stricken with paralysis. He traveled to Natal in a vain search for health. He returned to Glasgow, where he spent his last years in retirement, dying April 28, 1873.

The Theory of Human Progression[1] is a somewhat ambitious contribution to the science of politics. It was the author's aim to formulate the principles by which the relations between man and man ought to be regulated. The work shows a peculiar mixture of intellectual characteristics. There runs through it a vein of naïve piety side by side with a lode of free thinking. The style is marked by prolixity and repetition, but in certain passages reaches heights of vigorous eloquence.

His treatment of the land question, to which he naturally gave large attention, also exhibits the effects of eighteenth-century teaching. He remarks that "the land produces, according to the law of the Creator, more than the value of the labor expended on it, and on this account men are willing to pay a rent for land." This is the old delusion of a magic property in the soil which throws off a "net product," and thus gives rise to economic rent. Again, in another passage, he speaks of rent as "the profit that God had graciously been pleased to accord to human industry employed in the cultiva-

[1] Miss Julia Kellogg has left an abridgment of Dove's work worthy the gratitude of land reformers the world over. Within this volume of scarce 150 pages, little more than one-third the compass of the original work, may be found in clear relief all of Dove's essential principles and philosophy, for which Miss Kellogg with her profound understanding and the ripeness of four score years had keen appreciation. She was proud to have attained her object by process of elimination, and without a single alteration of her author's wording. Both the book and author have compelled golden opinions. (Published by Isaac H. Blanchard & Co., New York.)

tion of the soil." Dove had, in fact, little comprehension of the nature of ground rent as essentially a social product.

Dove's discussion of the land question, which is outlined in our extracts from his book, might be summed up in three propositions, as follows: (1) The land is a free gift of the Creator to all men, and, as such, should be common, not private property; (2) It is not practicable, however, to enforce this right of common property by dividing the land into equal shares and apportioning it among the inhabitants according to their number; (3) The solution of the problem lies in the taxation of rent, or common appropriation of the annual value of the land.

Extracts from "The Theory of Human Progression"

(1) *Arraignment of existing land laws.*—

Under the present system of land occupancy, combined with labor taxation, want and starvation are the natural consequences. They may excite compassion, but they need excite no wonder. And until the present system is broken up, root and branch, and buried in oblivion, the laboring population of Britain and Ireland must reap the fruits of a system that first allocates all the soil to thirty or forty thousand proprietors, and then places the heaviest taxation in the world on the mass of inhabitants. — Chap. III, p. 244.

(2) *Right of the nation to change the land laws.*—

There is no such thing as "the rights of landed property" separated from the mere dictum of the law, which the nation has an undoubted right to alter or abolish whenever it shall see fit to do so. And if the nation were to resolve to resume and take back all lands which had been granted by the crown (with considerations affecting those individuals who had purchased), the nation would not be guilty of any crime, or wrong, or impropriety; but would be exactly in the same position as it is when it abolishes laws against witchcraft, or laws in favor of the slave trade, or laws which make it a legal crime to be a Jew or a Catholic.

Superstition, on this point, may endure for a few years longer; but no truth can be more certain than that God gave the land for the benefit of all; and if any arrangement interfere with, or diminish that benefit, then has man as man, as the recipient of God's bounty, an undoubted right to alter or abolish that arrangement, exactly as he alters his arrangements in agriculture, in medicine, in mechanics, or in navigation. No more crime, and no more wrong attaches to his alterations in the one case than in the other. —Chap. III, pp. 275–76.

(3) *Problem of the equitable disposition of the earth.*—

Is it equitable that any arrangements of past generations should cause one man now to be born heir to a county, or half a county, or quarter of a county, while the other inhabitants of that county are thereby deprived of all right to the soil, and must consequently pay a rent to the one individual who naturally has not one particle of right to the earth more than they have themselves? And if such an arrangement be not now equitable, most undoubtedly it ought not to be allowed to continue; and if any government (instead of administrating the laws of equity) use the armed power of the nation for the purpose of enforcing such arrangements, such government has departed from its proper intention, and is not entitled to obedience.

If, then, we admit that every generation of men has exactly the same free right to the earth, unencumbered by any arrangements of past ages, the great problem is to discover "such a system as shall secure to every man his exact share of the natural advantages which the Creator has provided for the race; while at the same time, he has full opportunity, without let or hindrance, to exercise his labor, industry, and skill, for his own advantage." Until this problem is solved, both in theory and in practice, political change must continually go on. — Chap. III, p. 303.

(4) *The answer to the land question.*—

The solution we propound (and which we hope to defend more at large at some future period) is the following, although, of course, there is no supposition that any general solution can be immediately applicable to the circumstances of this or any other country.

1st. Reason can acknowledge no difference of original rights between the individuals of which the human race is composed.

2nd. Equality of rights cannot be sacrificed by any arrangements which one generation of men make for succeeding generations; but equality of rights is perpetual, inasmuch as that equality derives from the human reason, which varies not from age to age.

Even if it were true that there ought to be an inequality of rights among the individuals of the human race, it would be absolutely impossible to determine which individuals of the race should be born to more rights, and which individuals to fewer rights, than their fellows. An inequality of rights can only be based on superstition, and the very moment reason is substituted for superstition in political science (as it has been in physical science), that moment must men admit that no possible means are known by which an inequality of rights could possibly be substantiated. Even if it were true, for instance, that there should be an aristocracy and a serfdom, there are no possible means of determining which individuals should be the aristocrats and which individuals the serfs.

3rd. The state of England, then, would present a soil (including the soil proper, the mines, forests, fisheries, etc.—in fact, that portion of the natural earth called England) which was permanent, and a population that was not permanent, but renewed by successive generations.

4th. The question then is, "What system will secure to every individual of these successive generations his portion of the natural advantages of England?" Of this problem, we maintain that there is but one solution possible.

5th. No truth can be more absolutely certain as an intuitive proposition of the reason, than that "an object is the property of its creator"; and we maintain that creation is the only means by which an individual right to property can be generated. Consequently, as no individual and no generation is the creator of the substantive, earth, it belongs equally to all the existing inhabitants. That is, no individual has a special claim to more than another.

6th. But while on the one hand we take into consideration the object—that is, the earth; we must also take into consideration the subject—that is, man, and man's labor.

7th. The object is the common property of all; no individual being able to exhibit a title to any particular portion of it. And individual or private property is the increased value produced by individual labor. Again, in the earth must be distinguished the permanent earth and its temporary or perishable productions. The former — that is, the permanent earth — we maintain, never can be private property; and every system that treats it as such must necessarily be unjust. No rational basis has ever been exhibited to the world on which private right to any particular portion of the earth could possibly be founded.

8th. But though the permanent earth never can be private property (although the laws may call it so, and may treat it as such), it must be possessed by individuals for the purpose of cultivation, and for the purpose of extracting from it all those natural objects which man requires.

9th. The question then is, upon what terms, or according to what system, must the earth be possessed by the successive generations that succeed each other on the surface of the globe? The conditions given are — First, That the earth is the common property of the race; Second, That whatever an individual produces by his own labor (whether it be a new object, made out of many materials, or a new value given by labor to an object whose form, locality, etc., may be changed) is the private property of that individual, and he may dispose of it as he pleases, provided he does not interfere with his fellows. Third, The earth is the perpetual common property of the race, and each succeeding generation has a full title to a free earth. One generation cannot encumber a succeeding generation.

And the condition required is, such a system as shall secure to the successive individuals of the race their share of the common property, and the opportunity, without interference, of making as much private property as their skill, industry, and enterprise would enable them to make.

The scheme that appears to present itself most naturally is, the general division of the soil, portioning it out to the inhabitants according to their number. Such appears to be the only system that suggests itself to most minds, if we may judge from the objections brought forward against an equalization of property. All these objections are against the actual division of the soil; and certainly such a division is theoretically erroneous, especially when the fractional parts are made the property of the

possessors. But independently of this, the profits arising from trade, etc., would induce many individuals to forsake agriculture, and to abandon their portion to those who preferred the cultivation of the soil to any other pursuit. A purely agricultural population is almost impossible at any period; but when men have made considerable advances in the arts, etc., a general return to agricultural pursuits is a mere chimera, a phantom. Men must go forward, never backward. To speak of a division of lands in England is absurd. Such a division would be as useless as it is improbable. But it is more than useless — it is unjust; and unjust, not to the present so-called proprietors, but to the human beings who are continually being born into the world, and who have exactly the same natural right to a portion that their predecessors have had. . . . .

The actual division of the soil need never be anticipated, nor would such a division be just, if the divided portions were made the property (legally, for they could never be so morally) of individuals.

If, then, successive generations of men cannot have their fractional share of the actual soil (including mines, etc.), how can the division of the advantages of the natural earth be effected?

By the division of its annual value or rent; that is, by making the rent of the soil the common property of the nation. That is (as the taxation is the common property of the state), by taking the whole of the taxes out of the rents of the soil, and thereby abolishing all other kinds of taxation whatever. And thus all industry could be absolutely emancipated from every burden, and every man would reap such natural reward as his skill, industry, or enterprise rendered legitimately his, according to the natural law of free competition. This we maintain to be the only theory that will satisfy the requirements of the problem of natural property. . . . . We have no hesitation whatever in predicting that all civilized communities must ultimately abolish all revenue restrictions on industry, and draw the whole taxation from the rents of the soil. And this because . . . . the rents of the soil are the common produce of the whole labor of a community. — Chap. III, pp. 305–311.

CHAPTER IV

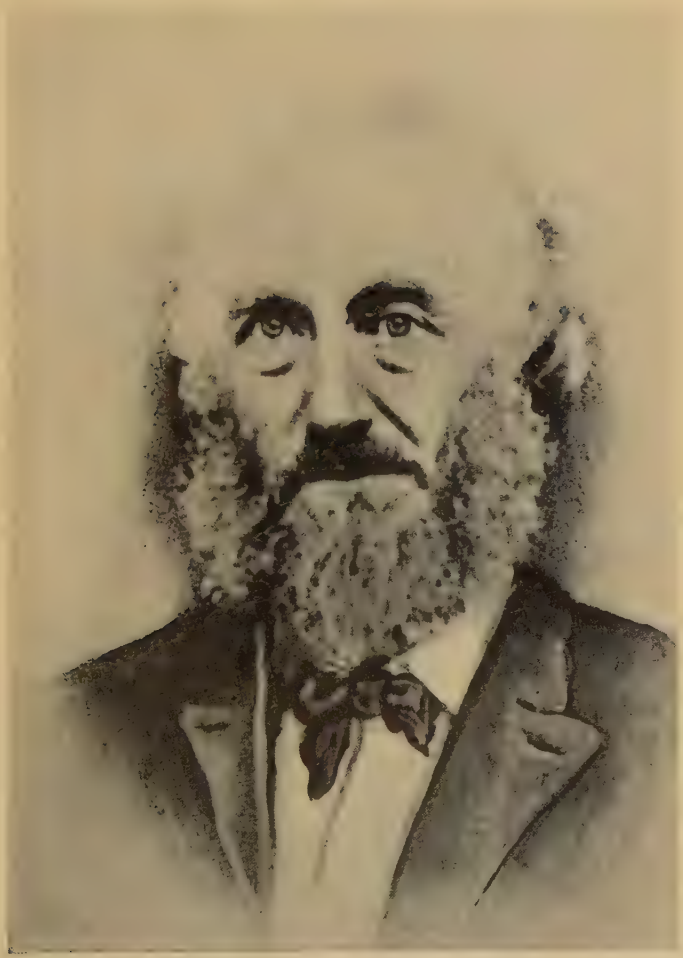
Edwin Burgess, 1807–1869

IN 1859 and 1860 Edwin Burgess published in the *Racine Advocate,* of Racine, Wisconsin, a series of letters on taxation in which he advocated a single tax on land. Mr. Burgess, who was born in London, settled at Racine during the forties and established a successful business as merchant tailor. By those who knew him he is described as "a man of liberal ideas in politics and religion," kindly and moderate, and "thoughtful in all things." He revisited England in 1864, taking with him an edition of his letters. Some time after his death, which occurred in 1869, his wife returned to England and printed them in pamphlet form for distribution among friends. Subsequently the letters seem to have been lost sight of, until in 1908 they were reprinted at Auckland, New Zealand, in the *Liberator,* the well-known single-tax organ. In 1912, William S. Buffham and Hyland Raymond, old friends of Mr. Burgess, again reprinted the pamphlet in Racine, where the letters were originally published.

The first letter describes as follows the evils of attempting to tax personal property:

1st. Taxing people for their personal property — on their oath, is a premium on perjury, because those who lie the most, pay the least taxes, and children born under such influences will be famous for lying — if there is any connection between cause and effect in the condition of parent and offspring.

2nd. The means of valuing or assessing are very expensive, thus increasing the cost of government, as well as the cost of corruption.



EDWIN BURGESS

1807-1869

3rd. Taxing personal property prevents production, because the tax, being added to the article for sale, increases its price in proportion to the means of buying. Hence, less is sold and less is made, and the makers are less employed; and having, consequently, less with which to buy, the makers of other things will be less employed also—and suffer much misery in consequence. . . . .

4th. Taxing personal property is not only costly, corruptive, and pauper-making, and promotive of misery and crime, but inquisitorial, burdensome, and aggressive against our right to labor and enjoy the fruit of our toil unmolested; as long as we injure no one, we should be protected against aggression, instead of suffering aggression. Are we not now taxed for the aggression instead of the protection against it?

5th. Taxing people in proportion to their industry prevents industry; because when an industrious person labors twelve hours per day, successfully, he must pay twelve times as much taxes, because he has made twelve times as much property to be taxed, as if he had worked only one hour per day. . . . .

The second letter enlarges on the evils of taxing personal property; the third, fourth, and fifth call attention to various anomalies in the laws relating to that subject or in the administration of them. The third letter concludes as follows:

We exempt railroad property from local taxes, and gas property, and schools, churches, and banks; now, if it is good in one case, I challenge anyone to show that it is not good in all. Then away with your paltry special privilege legislating, and let us have, instead, laws which, if universally applied, would cause the most permanent prosperity for all; and though we can never do good to the taxpayer by taxing him, let us be sure that we do him the least possible injury; and that, I contend, the "ad valorem" land tax will do, and no other forced tax whatever, for it is less costly in valuation and collection, less corruptive and unequal, and causes less pauperism, misery, and crime than any other tax; in fact, it is the only Free Trade Tax, and sets up no board of inquisition on the industry of any man or woman.

The sixth letter considers federal taxation, and maintains that neither customs duties nor "any tax on any product of

industry" can bring about an equal distribution of burdens. The seventh contains the following significant paragraphs:

To illustrate the relative merits of the tariff and the land tax, let us suppose, for example, that Racine exempted all merchants' and manufacturers' goods from taxes, and all grain, farm produce, etc., and all people from poll tax and all improvements from taxes, and put all the taxes on the land; and at the same time Milwaukee and Kenosha exempted all land from taxes, and put all the taxes on the farm produce and merchants' and manufacturers' goods and improvements and poll tax, in fact, on all articles which are exempt from taxes in Racine; where would the mechanics, merchants, and manufacturers settle? If all other advantages were equal, evidently where the goods were untaxed, because it would cost less to commence and carry on manufactories, and they could sell goods better also where no special tax raised the price of the article. Where would the farmers go to sell their produce and buy their goods? Doubtless where neither was taxed, because there they would obtain the most money for their produce, and the most goods for their money. Would not Racine grow rapidly while Milwaukee and Kenosha dwindled? And will not this be true of any city, town, county, state, or nation?

But where will the land speculators go? Will it not be where the land is untaxed? because there it will sell for the highest price, while it costs nothing to keep the land idle and the man idle; there the land monopolist might flourish, but there it would be more difficult to commence farming, because the land will be higher, and manufacturing also, not only because the land for the factory will cost much more, but because of the high special tax on the raw material, and every implement for manufacturing it. And where the land is untaxed, the land being higher, the rents will be higher also, and it will be doubly difficult for the landless mechanic to buy a lot for his house, and his rent will be high in proportion as the land is high; and the high price and high rents, instead of defraying the expenses of government (as the land tax would do), go to enrich the land monopolist at the cost of every landless consumer; and by making and keeping people landless and dependent on the monopolist for employment, and thus making the means of living the most uncertain, promote misery, pauperism, and crime, and thus vastly increase

the cost of government by increasing the taxes for the prevention of crime and the support of paupers, criminals, and their officers.

The land tax, unlike the tariff, would require no extra officers for assessing and collecting revenue for the general government, as the expenses would be defrayed by a percentage on the assessment for State purposes, which would be transmitted to the general government in the best manner.

The eighth and ninth letters show the advantages of placing "all the taxes on the land alone, irrespective of all improvements." Mr. Burgess says:

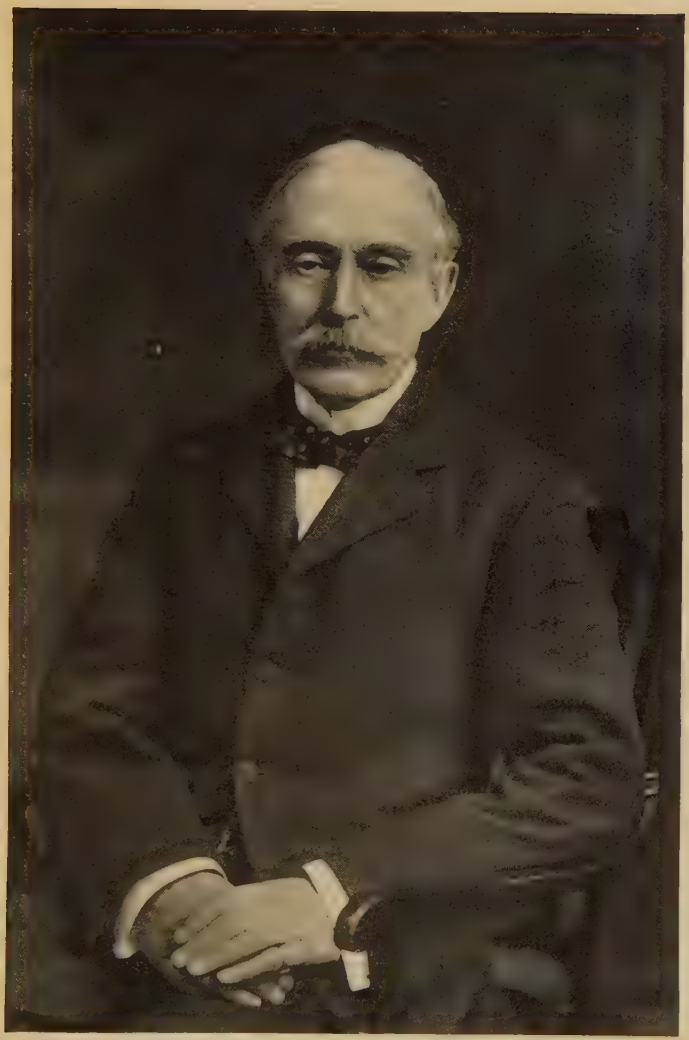
Now, I think I can show a much clearer case with the land tax for revenue than any remunerative or protective tariff whatever; for, while all the taxes are on the land, not only does the land tax defray all the cost of government, and diminish the cost of government, but the land sells for the lowest price also, instead of the highest, thus keeping the land within the means of all, or at least the great majority of the people; so that we can have the greatest number of land-owning producers of food, who having no rent to pay, can supply us with cheaper food minus the rent, or divide what was hitherto paid in rent between the producer and the consumer. And with land at the lowest price, rents would be the lowest also, and ultimately cease, so that the rent hitherto paid by mechanics, laborers, merchants, and manufacturers, would then be divided between the maker, the seller, and the consumer.

For, with all the taxes on the land, it would not pay to keep it idle; therefore speculation in land would soon cease and be transferred to untaxed manufactures or labor, which would increase the demand and raise the wages of labor and reduce the profits of capital and speculation; and at the same time we should create and sustain the most permanent and profitable home market for produce and manufactures, and settle forever that oft-mooted question of political economists, how to realize the utmost economy in the production and distribution of wealth; and in this way it could be done with the least possible cost of government, and with the protection of free commerce and free land instead of the violation of both.

Then, when food becomes cheap in the country, from cheap land and no tax on improvements, mechanics, manufacturers, and

merchants can go where food is cheapest whenever it will pay better than having the food transported to them, as they will then have the increased means, which were hitherto paid in rents, with which to travel. And when farmers desire to settle near factories for the benefit of market and exchange, they may be sure the land will never be high, nor manufactures, either; because the tax is on the land, and not on the manufactures.

Edwin Burgess' pamphlet, like so many other fugitive publications of merit, seems to have produced no effects at the time, and probably was soon forgotten by all except a few of the author's friends. Despite faults of style and occasional vagaries of opinion, the pamphlet exhibits in the strongest light the evils that result from the taxation of products of human labor, and anticipates the main proposals of the modern single-tax philosophy.



SIR JOHN MACDONELL

1846-

CHAPTER V

Sir John Macdonell, 1846–

IT is odd that a man whose writings have apparently escaped the notice of today's economists should be the only living writer whose work forty-two years later finds place in this symposium. The reason for this obscuration of a brilliant name appears to be that, after having at the thesis age lighted the economic firmament with two excellent and attractive volumes, this author lapsed into the law, and so was lost to the world as an economic reformer.

Several remarkable coincidences may be noted in the careers of these two English-American contemporaries, John Macdonell and Henry George. In 1871, Macdonell at twenty-five was writing *A Survey of Political Economy,* while George at thirty-two was publishing *Our Land and Land Policy.* Macdonell at twenty-seven was publishing *The Land Question* in 1873; George at thirty-nine was publishing *Progress and Poverty* in 1879. So far as any record goes, they pursued entirely independent ways.

The stories of these men have also their contrasts. Of the *Land Question* the late Alexander Macmillan, founder of the great publishing house, said to the author: "Our reader thinks well of the book. It is original, and though there is no profit in it, I am interested in it, and will publish it," which he did, and the book met with scholarly appreciation. *Progress and Poverty,* on the contrary, went begging for a publisher, but met with phenomenal popular favor.

Antedating by six years Henry George's *Progress and Poverty,* one is greatly attracted by the clearness with which Macdonell set forth many of the principles to which George gave extended treatment. His exposition of the burdenlessness of a land tax brings great strength to the cause, because it fills a wide gap in the front line left by Henry George, which was but slowly detected by many of his followers. His statistics of the urban values of his own time, as well as his effectual disposal of fertility as a source of economic rent, more than anticipated Mr. George.

Inasmuch as Mr. George wrote his *Our Land and Land Policy* as early as 1871, one naturally wonders if that pamphlet had given special stimulus to Mr. Macdonell's thought. The fact is that he was not so influenced, as his book had a totally different origin. He found in the pamphlet some sentences which agreed with his own conclusions, but they were arrived at independently and in a very natural way. His own discussion goes a long way in helping to distinguish the socialization of rent from the nationalization of land. The interest evoked by the time and circumstance of his writings and their recovery, as it were, for readers of today, is the reason for giving so much importance in this collection to his notably thorough work. No student of economic problems can read these stimulating volumes without regret that the author did not resist the blandishments of English law and bestow upon the world the ripe fruits of his early promise.

Sir John Macdonell, K.C.B., M.A., was born in 1846. He was a graduate of Aberdeen University, and has long been familiarly known to the law in almost every capacity open to that profession. He is known as a writer upon law, especially on international law, for the chief reviews and magazines and periodical press, untiring in the cause of law reform and busy

just at present with a book on *Treaties* for the Carnegie Endowment Trustees. He is a Fellow of the British Academy, and editor of *Corporation Legislation,* a journal not unknown in America.

Soon after graduation, Macdonell became connected with the *Scotsman,* a newspaper which advocated the old economic doctrines in their extreme form. A former editor had been McCulloch, the great expositor of the old classical political economy. He was invited by the proprietors to write a series of articles, or a sort of manual of political economy, to correct popular heresies. To the amazement of the proprietors, his study led him to profound disagreement with the orthodox economists. He published a volume stating his conclusions which were at variance not only with the older school, but also with much of Mill's teaching. The book was welcomed as opening up some new paths, and first led many prominent economists to doubt the efficacy of the old doctrines.

At his own home in the Highlands, he had seen some cruel effects of the existing land system, and was brought by them and by continued study to examine the subject and to write this volume, *The Land Question,* which was published in 1873.[1] In it all the essentials of the single tax are clearly set forth and ingenious methods of effecting an easy transition from our present systems of taxation are suggested. Several passages from his book are here reproduced to illustrate his line of thought.

He thus describes the nature and origin of economic rent:

> Monopolies they, indeed, all are; but some, if not all of them, are natural, spontaneous, and inevitable. They may be used well or ill, but monopolies they will remain. . . . . One class of them, such as land and mines, are monopolies because

[1] Macdonell, Sir John, *The Land Question,* Macmillan & Co., London, 1873.

they, like other natural agents of production, are limited. They yield rent in the economist's meaning of the term. . . . . Economists have been at great pains to explain the nature of rent. Starting from the fact that the soil of a country is limited in extent, they have pointed out that even were it homogeneous, of uniform fertility, and equally commodious in all parts, the right to possess it would draw with it the power to exact rent as population expanded. The monopoly of a necessity of existence must create one kind of rent. Economists have also explained that, even if the soil of a country be practically unlimited, differences in fertility and situation will originate another kind of rent, that kind which Ricardo has called, not very happily, perhaps, the price paid for "the original and indestructible powers of the soil."

In the following passage, he clearly shows that economic rent belongs to the community because it is produced by the community.

I cannot conceive the distinction between land, or natural monopolies, and other kinds of property being put more clearly and forcibly than in the following passage which I take from an essay by Professor Cairnes: "A bale of cloth, a machine, a house, owes its value to the labor expended upon it, and belongs to the person who expends or employs the labor: a piece of land owes its value — so far as its value is affected by the causes I am now considering — *not* to the labor expended upon it, but to that expended upon something else — to the labor expended in making a railroad, or in building houses in an adjacent town; and the value thus added to the land belongs, not to the persons who have made the railway or built the houses, but to someone who may not even be aware that these operations are being carried on — nay, who perhaps has exerted all his efforts to prevent their being carried on."

Of the total proceeds of any acre of ordinary land, so much is the return on the permanent or durable capital — drains, fences, etc., invested therein; so much is the return on the circulating capital renewed annually, or at short intervals; and the residue is ascribable to permanent and inherent attributes of soil, situation, proximity to markets, roads, railways, etc., and to what I may term the general state of society. That the first part should accrue to the landowner, if, as not unfrequently happens, he

furnishes the capital for permanent improvements, is right; that the second should go to the usufructuary or farmer is also clear; and what seems equally indisputable is that the last, consisting of economical rent, should go to the general body of society. It having been shown that "economical rent" is paid for differences in quality and situation of land, created by no man, or that it originates in circumstances not to be credited to the landowner, it would naturally have been expected that from Ricardo's principles would have been unanimously and instantly deduced the conclusion that economical rent should not become the subject of private property, that no private individual should be permitted to monopolize "the original and indestructible properties of the soil," and what no man had created or earned by labor of his, no man should own. It would have been only natural for all who accepted the preceding account of rent to hold that rent which proceeded from the common labors of the community should belong to it, that wages were not more fitly the reward of the laborer, or profits the reward of the capitalist, than was rent, as Ricardo understood it, the appanage of the community or State, and that, to quote the popular phrase, "the land was the property of the people." For these reasons, absolute property in land would appear to be theoretically unjust whenever economical rent appears. Of course, there might be cited other reasons why this should be so; and, to name only one, land is a necessity of existence, and society might not subsist were men free to employ it as they pleased. We would not tolerate a race of proprietors of the stamp of the notorious Lucas, who wished to let his fields run to waste. We should be sacrificing the end to the means were we to suffer the landowner's rights to make the existence of society impossible, uncertain, or difficult. But one sufficient reason for denying absolute property in land, springs from the fact that its proprietor becomes, in the natural course of things, the recipient of an unearned residuum.

We shall, perhaps, be told that there is a great objection in principle to the conclusion here arrived at: it would bring the State into a region from which it should be excluded. Now, *laissez faire* is a good rule when the meddler is antagonistic to the meddled with; but he seems to violate *laissez faire* most deeply who lets value which the community, or assuredly no single individual, has created be taken from it by private persons.

And if it be possible for the State, or for municipalities, to manage any or all of these monopolies, there seems little standing in the way of the assertion that they are the primary resources of Government. Since there are many things from which their owners may, with ordinary exertion, or no exertion at all, draw rent, or something above the usual profits on capital, if too much has not been expended in the purchase, and since the State, ever needy, is compelled at present to draw its revenue from taxes which are a hardship to all, and a grievous burden to the poor, it is no paradox to affirm that the maintenance of the State should be provided, as far as may be, out of those funds which Nature herself seems to have appropriated to public purposes, arising as they do out of common or public exertions. The onus of proving the expediency of letting even one of those funds fall into the private domain rests on those who propose it. In one point of view, it matters little perhaps whether the public or private persons own the sites of cities. But if one mode of tenure brings vast wealth or competence to a few, and releases so many from the wholesome bondage of labor, and if the other relieves the whole community from burdensome taxes or rates, and eases all a little without giving idleness to any, need we hesitate or doubt as to which is preferable? Such being the alternatives, do we not squander or pawn the natural and primary resources of the State when we suffer private hands to monopolize them? That which presses on no man, yet benefits all, is on the face of it a better mode of obtaining a revenue than that which mulcts all, it may be, unequally, and perhaps to the grievous injury of some. That which, taking from no man's just earnings, yet provides for the just common wants, is conspicuously superior to a system of which the true principle, according to Mr. Lowe, is that you must pinch every class until it cries out. An offer is made of a mode of raising revenue, which takes from none what they have rightly earned, which need rob no man of what he has rightly bought, and which will replenish the Treasury, no man being mulcted, no man wronged; and are we to reject this offer, and forever allow so many private interests to gather round this public domain that it shall be useless and perverted? To a like question the answer once made was decidedly negative. For a time the revenue of this, as of every other State of Europe, came from rent. But the answer was revoked: the feudal duties incident to property fell into desue-

tude, and ultimately they were abolished; much of the Crown land was squandered; and for centuries the nation has been reaping the harvest of its errors, each sheaf whereof has been some tax, often vexatious and cruel. Ministers cannot govern the country for less than £70,000,000. We vex the poor with indirect taxes, we squeeze the rich, we ransack heaven and earth to find some new impost palatable or tolerable, and all the time, these hardships going on, neglected or misapplied, there have lain at our feet a multitude of resources ample enough for all just common wants, growing as they grow, and so marked out that one may say they form Nature's budget. Such seems the *rationale* of the subject of which the land question forms a part. And so we may say that, if property in land be ever placed on a theoretically perfect basis, no private individual will be the recipient of economical rent. Bastiat, it may be mentioned, saw that logic and justice demanded no less; and, anxious to escape from such a conclusion and to buttress the fabric of society as he found it, he sought to undermine Ricardo's theory, and to prove, in the face of familiar facts, that all rent was the return on the landowner's capital. Less logical economists in this country have at once expounded Ricardo's theory and defended the position of the English landowner. How few have seen and owned the simple truth which follows from his doctrine is somewhat amazing, and equally strange is the small number of those who, having seen the truth, were courageous enough to utter it.

Here he indorses Henry George in looking forward to the rent tax as the single tax and in pointing out the natural law by which its volume is apportioned to the growing needs of the community:

But, granting the above to be the ideal mode of obtaining revenue, it would follow, that just as we should seek to replace loans by taxes, so should we seek to substitute for the latter rent drawn from natural monopolies; and it would seem not unreasonable to hope that as loans have ceased to be the regular resources of all solvent governments, so may taxes. Thus only shall we have the benefits of government without the burdens.....

And, granting the above theory to be true, does there not arise a conception of a beautiful, simple, and useful law, providing for the expenditure of the State, without the aid of states-

men's ingenuity, and with all the certainty of a physical law? We recognize the possibility of the normal revenue constantly keeping pace with the normal expenditure. Note the simultaneous movements in both the social wants and the social resources and means. A country, let us suppose, is barbarous and sparsely peopled; we contemplate Persia, or the India of pre-Anglican times. In that low state of civilization the acknowledged common interests are few, and a land revenue, or the rent of the soil, will suffice to cover the common expenses. Then comes a denser state of population: we contemplate modern European countries; the general expenses of society have grown. But, simultaneously with their growth, grows also the needed nutriment, and wherever the common expenses are, of necessity, heaviest, that is, in great towns and cities, there do these monopolies of which we have spoken multiply and wax in remunerativeness. There flourish pauperism and crime, costliest scourges, and there also does the value of land rise highest, and there, too, appear docks, telegraphs, etc., and other natural monopolies, in the most lucrative form. The wants come, and their causes bring also the wherewithal to satisfy them. Sheer pedantry it would be to limit the expenditure of any State in all circumstances, and however trying the emergencies, to the resources provided by these funds. So long as there exist pauperism and a permanent criminal population, so long as there are wars to be waged, and indemnities to be paid, so long certainly must we resort to taxes or loans. In times of transition, too, such as 1859, for instance, was to India, there may be experienced difficulty in making the expenditure and revenue of all sorts balance. But the ideal to which we should strive to attain, and which may be open to other States less compromised than England by a long history, seems to be that which I have described. Though that harmony cannot be practically illustrated here, it may be so where there is no call to meet emergencies.

De Tocqueville has told us — and it scarcely needed a De Tocqueville to tell us — that a danger ahead in democratic times is the danger lest the power of the government should be employed by "our masters" in bleeding the rich, and absorbing the earnings of all those whose means tower above their neighbors'. Communism, or some of its evils, may invade us under the guise of improved taxation or a democratic budget. Graduated income taxes may be gradients to it. And truly, when no principle

governs the selection of taxes, or the amount to be taken by means of them, it is hard to convince the interested that they are pushing taxation to extremity. Let those, therefore, who regard the advent of democracy as inevitable, and who do not desire to see governments ruling by largesses extorted from the wealthy by the proletariat, welcome a revenue system which seems to set natural limits and barriers to the demands of potent and rapacious poverty. Let them recollect that there is a peril lest future revenue come from the income tax: that the majority of the electors are not subject to it; that they may encourage resort to it; and that, indeed, this danger almost approaches a certainty, unless we manage to dispense with an income tax. Let them embrace with gladness a system which enlists justice on their side, or rather, what is different, a consciousness on the part of the rapacious that justice is against them. It may prove well hereafter if the share of the State is defined almost as sharply as the portion of the capitalist or the laborer.

We see, then, the possibility of government, local and imperial, without taxation. To no transcendental motives does the project appeal. It demands no miraculous draught of administrative talents or public virtues. It is simple and intelligible. It is nothing but giving the body politic the blood which it has secreted. And even those who say that the principle is a barren theory, or that we invoke it too late to apply it, will own that it is in unison with much that goes on around us — with the growing disbelief in *laissez faire* as sterilely taught of old, the taking over so many branches of industry by the State, the perplexity, strikingly revealed in the report of more than one committee, of how to regulate railways without owning them, the growth of companies of almost State dimensions, and the necessity of investing them with State privileges.

He admits practical difficulties but denies that we should be deterred thereby from moving toward a natural system of taxation, especially when we consider the social benefits which will follow its adoption:

Those, too, will admit that revenue reform would become clear, that all scrappy suggestions would be welded into one principle which a child might understand, and that the march of the financier would be certain, if not easy, were there truth

and value in this principle, the departure from which has perhaps been not the least of unrecorded errors. I know how far out of the path we and others have strayed, how hard it is to hark back, and how easy it is to speak in three words that which generations of strong minds will not accomplish. We have been putting hills and seas between us and this principle. Not in our time, perhaps never, will they be wholly cast down and utterly dried up. But I still presume to think that it is good to contemplate a splendid possibility, some dim similitude of which may one day be realized, to the unspeakable benefit of society.

I have written the above in deference to the observation of Turgot: "It is always *the best* with which one ought to be occupied in theory. To neglect this search under the pretext that this best is not practicable in the actual circumstances, is to wish to solve two questions at once; it is to renounce the advantage of placing the questions in that simplicity which can alone render them susceptible of demonstration; it is to plunge without a clue into an inextricable labyrinth and to wish to investigate all the routes at once, or rather it is voluntarily to shut one's eyes to the light by putting oneself in the impossibility of finding it." It will be well, as he advises, to separate the two questions, "What should be done?" and "What can be done?" Now, if theorists have been prone to exaggerate the ease with which principles of the above character could be carried into effect, there has been another error of an opposite kind.

He makes several ingenious suggestions for overcoming the difficulties of the transitional period. If the state is to purchase the land, the purchase may be effected by paying to present landowners the difference between a permanent and a temporary annuity for, say, fifty years, or by making present payment of the reversionary value of the land. But that all the benefits of land nationalization without the complexities and difficulties involved in government ownership may be attained by the expedient of taxation is clearly hinted in the following remarkable passage:

I presume to think that the acquisition of the soil by the State seems easier in the light of these simple truths. Time rather

than huge votes of money, *judicious and temperate taxation rather than purchase,* may help very much to nationalize the land.

In the following passage he anticipates one of the most modern modes (and undoubtedly the most simple and equitable mode) of ultimately securing to the state the whole or major part of all economic rent. He points out that an old land tax is a burdenless tax, and that therefore equity not only permits but also demands that the rate should be increased at regular intervals. Otherwise landowners as such, escape taxation altogether:

There is another mode which, only give time, would facilitate the same work. It may be shown that if a special tax be imposed upon land, and if it be suffered to subsist, it will, in course of time, cease to be felt as a tax. Land will be bought and sold subject to it; offers will be made, and prices will be settled, with a reference to it; and each purchaser who buys for the purpose of earning the average rate of profit will reduce the purchase money, owing to the existence of the tax. If he does not, it will be because he prefers something to profits. Hence the land tax imposed in 1693, so far as it is not redeemed, has probably ceased to be felt as a tax. "It is no more a burden on the landlord than the share of one landlord is a burden on the other. The landowners are entitled to no compensation for it, nor have they any claim to its being allowed for, as part of their taxes."[1] Hence, too, it follows that if it was originally fair to impose a land tax of 4*s*, it is now fair to add a tax of the same amount; or, in other words, if the landowner of the reign of Victoria may be justly called upon to bear as heavy a burden as that borne by his forefather, the land tax must be raised to 8*s*, of which 4*s* will be a rent-charge or the share of a joint tenant, and only the remainder will be of the nature of a tax. *Cæteris paribus,* the landowner's profits will be as high under the 8*s* land tax as were those of his predecessor under the 4*s*. No doubt it may be said that the landlord's return on his capital is constantly diminishing.[2] But this decline is simultaneous with a general

[1] Mill, J. S., *The Principles of Political Economy.*
[2] Thiers, L. A., *De la Propriété,* p. 153.

lowering of the rate of profits derivable from all branches of industry; and, admitting the facts to be as alleged, it still would be true that the relative subtraction from the landowner's incomes owing to the 4*s* and the 8*s* taxes would be the same. In course of time the same causes which effaced the first four shillings would remove the weight of the 8*s*: whenever land is sold, it will be so with an eye to the existence of the latter tax. The process will not stop here; assuming that rents do not fall, that land is freely sold, that no equivalent tax is levied upon personalty, and that the increments of taxation are imposed at very distant intervals, in the lapse of time each addition to the land tax will be shifted from the landowners. Thus it would seem that there is no taxing them always unless the land tax be repeatedly raised, and that, if such an impost is just at all, the State must in fairness keep whittling at the portion of the landowner until, at some distant period, it is absorbed by taxation.[1]

Ricardo and the earlier writers on the subject confined their attention almost exclusively to agricultural rent. A merit of Macdonell's treatment is the emphasis which he places upon urban rent. It is here where the abuses of privilege are most rampant. The following passage is noteworthy in this connection:

So far the principles which ought to govern property in land. Let us proceed to apply them with an eye to the special circumstances of the various kinds. There are many reasons why we should begin with urban land. With respect to it, there is ample scope and most pressing urgency for the application of the principles which we have stated. In the ground rents of cities are to be seen perfect samples of "economical rent," due to monopoly, produced by no man's labor, assuredly not always by the labor of the owner of the soil. The rents of houses, so far as ground rent is an element therein, are solely the prices paid for situation, or "the original and indestructible properties of the soil." Thus the Duke of Bedford and the Marquis of Westminster exact some hundreds of thousand of pounds annually from those who enrich their property. They are remunerated because certain

[1] For a detailed statement of this method worked out by Mr. C. B. Fillebrown for the city of Boston, see Catechism, No. 65 (chap. xv *infra*, p. 234).

land is situated in Middlesex — a circumstance in which one may be pardoned for failing to recognize the beneficent hand of the owner. Of the annual ratable value of London, for instance, computed at £23,000,000, an increasingly large portion is the value of ground rents. When a square foot of land in Victoria Street lets for one pound sterling, we may judge of the immense revenue flowing from this source into private purses. Those increments scarcely ever proceed solely from the diligent exertions of the proprietors. Were they imbeciles instead of good men of business, they must earn more than thousands of toiling artisans; were they Solons or Solomons, it would not make much difference. Their position of affluence is independent of virtue or vice, prudence or folly. They exist; that is their service. It was the sole service of most of their ancestors. In the prices paid for sites in cities, we see the most surprising instances of rises in value of that character which Mr. Mill terms the "unearned increment." A few examples occur to me. Somewhat marvelous though they may seem, they cannot be scouted as exceptional. A piece of land in Holborn, purchased in 1552 for £160, now yields £5,000 a year; a wharf in Castle Baynard, bought for £2,000 in 1670, lately realized £110,000;[1] and an acre of land at South Kensington, which was sold for £3,200 in 1852, fetched £23,250 in 1860. We are told that the price of an acre of the most valuable uncovered land in the city of London after the Great Fire of 1660 "was £30,000, or about one-third of the value of the land when built upon. At the present time the highest rate for unbuilt land may be taken at £1,000,000 an acre, and such value constitutes fully three-fourths of the value of the property after it has buildings upon it."[2] . . . .

What contribution do those proprietors make to local taxation? It may be asserted that some of their property contributes absolutely nothing to the newly imposed rates, and inadequately to the older rates. The assertion may be proved. At the time when many of the now running leases of ninety-nine years were entered into, there would have been no anticipation of the outlay caused by, and the rates imposed in consequence of, the Thames Embankment and the Main Drainage Scheme. These items could not have formed a factor in old bargains; and such rates

[1] Sir Charles Trevelyan.
[2] Paper read by Mr. Edmund James Smith at Institution of Surveyors, January 29, 1872.

imposed, let us bear in mind, for purposes of permanent improvement, must have fallen wholly on those possessing temporary interests — the owners of houses and the occupiers. It is no doubt true that at certain periods in the first half of this century, the poor- and county-rates were high in Middlesex. Thus, in 1803 the poor- and county-rates, with a portion of the church-rate, amounted to 3*s* 5¼*d*, and in 1868 rates of all kinds to 3*s* 11¾*d*. But the general tendency has been towards a steady increase of the rates. Nor did those exemptions begin with the imposing of the Metropolitan Consolidated Rate to meet the wants of the Metropolitan Board of Works. One who examines the local or private measures, passed for the most part in the reigns of George III and George IV, in order to "pave, cleanse, light, water, and embellish" various squares in London, will find them studded with acts of favoritism to landlords. Looking, for instance, into *George IV*, c. 58, relating to Grosvenor Place and other lanes and streets adjoining, I find among its 140 clauses one giving powers to commissioners to compel owners and builders of houses where there ought to be streets to pave, level, or gravel them. But the act especially exempted Robert, Earl of Grosvenor, from paying for the improvement of his own property. It also empowered him to put whatever fences or gates he was pleased to erect on streets which others maintained. A similar provision appears in many of the Acts passed in the last century for the purpose of paving or embellishing the various estates on which much of the west of London is built. Some of the Acts — for instance, that relating to the Calthorpe estate — practically absolve the owner of the freehold from all charges. The ratepayers, in short, were mulcted in order to improve and "embellish" the landowners' estates. Thus, the Duke of Bedford went to some expense with respect to Oakley Square. But I find that the Vestry of St. Pancras repaid him. The facts remain as they are here stated, somewhat shabby and incredible though they may seem. . . . .

We have stirred late, and we cannot now move with ease, but something may yet be done in the right direction; and when London possesses a local government superior to that formed by the Local Management Acts, and similar to that which Mr. Mill has proposed, we may take the first great step. Here, if anywhere, there is a sphere and an occasion for the application of Mr. Mill's theory of the unearned increment. Here, in the

most flagrant form, is that divorce between industry and earnings which breeds communism; and those who hesitate to urge the acquisition of the entire soil by the State may fearlessly put in operation their principles with respect to London and other great cities. For we are not quite too late. Justice may be done, and even generosity accorded, to all concerned, and yet we may be drawing near, at no mean speed, to that ideal time in which the soil shall belong to the community.

To sum up: it is but justice to Sir John Macdonell to assert that no more recent writer has set forth with greater force and clearness than he, the true nature of economic rent and its peculiar fitness as a source of national and municipal revenue. He recognizes it as a social product and hence as the legitimate property of the state. He emphasizes the importance of urban rent. Finally, his statements are always sane and temperate. He recognizes the difficulties of correcting long-standing abuses, however glaring, and he proposes solutions of the difficult problems which for ingenuity and breadth of vision have not been excelled.

CHAPTER VI

Henry George, 1839–1897

WERE we asked to state in a word what was Henry George's chief contribution to the movement which is the subject of our inquiry, we should answer that it was he who gave it the breath of life. His predecessors, Smith, Mill, Dove, Burgess, and Macdonell, had already elucidated the general principles involved in the taxation of land values. But whereas before his time the question was one of little more than academic interest, since his time it has become with thousands of ardent men and women almost a religion. His followers have preached his gospel with missionary zeal and the so-called single tax and the name of Henry George have become known to the remotest corners of the globe. When the contributions of all the pioneers in this movement have been finally assessed, Henry George will be remembered as the prophet, the reformer, the man with a mission.

His life was well calculated to develop the qualities of courage and self-reliance called for by such a career. He was born in Philadelphia in 1839. His formal school training terminated with a few months in the high school when he was less than fourteen years old. He had, however, acquired a taste for reading so that his real education suffered no interruption. Perhaps more important for the work he was to do than any book-learning, was his education in the school of life. From the time he left the high school until his death in 1897

experiences were crowded into the span of years which might easily make of him a hero of romance. They included a boy's realized dream of going to sea on a long voyage to India, learning the printer's trade, working his passage to California as ship's steward on a lighthouse steamer, a runaway marriage with the lady of his heart, being without money and without prospects, and a struggle against poverty leading him at one time to the verge of desperation.

Then from the obscurity and privation of a journeyman printer and editor of a struggling radical paper, he emerges into the limelight of publicity. He beholds a vision, and conceives himself to have received a divine call to preach the new gospel. In his own words:

> Like a flash it came upon me that there was the reason of advancing poverty with advancing wealth. With the growth of population land grows in value, and the men who work it must pay more for the privilege. I turned back amidst quiet thought to the perception that then came to me and has been with me ever since.

Thus he describes his vision, and later, in these words, the consciousness of a divine call:

> On the night in which I finished the final chapter of *Progress and Poverty* I felt that the talent entrusted to me had been accounted for — felt more fully satisfied, more deeply grateful than if all the kingdoms of the earth had been laid at my feet.

His vision is first crystallized into *Our Land and Land Policy,* and later amplified and systematized in *Progress and Poverty.* The sale of the latter book (completed after one year and seven months of intense labor, and at first refused by all publishers) swells into the millions of copies. It is translated into all the principal languages of the globe. He becomes a mighty leader of the people whose eloquence holds

multitudes spellbound, and he dies in the midst of a whirlwind campaign for mayor of the greatest city on the continent.

His parents were devoted church people and he himself, though he had said that he cared nothing for creeds, was of an intensely religious temperament. Some chapters of *Progress and Poverty* were written in a spirit of almost apocalyptic fervor, and it was this that gave it its wide currency. It was a beatific vision to the outclassed and disinherited. Its title indicates the main thought. Science, discovery, invention, all that goes by the name of *progress* were advancing by leaps and bounds, yet the men who toiled the hardest had small share in it. *Poverty* was their lot as it had been the lot of their ancestors before there had been any talk of progress. Why was it? Here was a man who had seen a vision and pointed a way to deliverance. So the people read his works and joined in the new crusade against unjust power and privilege. And in their leader there was no pretense. He believed implicitly in himself and in his gospel.

All these facts must be understood in order to appreciate *Progress and Poverty*. It is, in a sense, a theological work as well as an economic textbook. It is, on the one hand, an attempt to reconcile the concept of a beneficent deity with the poverty and misery of mankind, and, on the other hand, to analyze the causes of this same poverty and misery by a coldly intellectual process, and to find the remedy therefor. It is to show that the cause lies not in the lack of God's bounty, but in man's blindness to natural law.

The proposition which is the subject of this volume is so closely associated with the name of Henry George that the average man never thinks of Henry George without thinking of the single tax and never thinks of the single tax without thinking of Henry George. Yet the doctrine of economic rent

and the propriety of recognizing it as the normal revenue of every form of government had been taught before his time and often by much the same line of reasoning. Nevertheless it is by no accident that the honor of discovery is popularly attributed to Henry George. He it was who made the single tax a living issue. By the force of his logic, by his courage, his eloquence, and above all, by the absolute sincerity of his conviction that he had made a discovery not only of a just and natural system of taxation but also of a system which was to usher in a social and economic millennium, he aroused an indifferent world and compelled it to listen to his message. His doctrine had come to him as a vision and he preached it with the absolute self-confidence of one of the Hebrew prophets foretelling the new Jerusalem. It was this that gave him his immense popularity with the masses. He held out to them the promise of deliverance from poverty.

The subjoined extracts from Henry George's works cover the purpose of this book. "Rent and the Law of Rent" is its text and essence. Those from *Our Land and Land Policy,* which was a distinct forerunner of *Progress and Poverty,* mark the date of his real entrance into the economic arena as 1871 instead of 1879. The chapters, "The Remedy" and "The Canons of Taxation," are those for which he is best known in the taxation field.

OUR LAND AND LAND POLICY[1]

SOMETHING RADICAL NEEDED

What we want is something which shall destroy the tendency to the aggregation of land, which shall break up present monopolization, and which shall prevent (by doing away with the temptation) future monopolization. And as arbitrary and restrictive

[1] *The Works of Henry George,* Vol. IX, chap. V, extracts from pp. 101 to 112. Doubleday, Page & Co., 1898.

laws are always difficult to enforce, we want a measure which shall be equal, uniform, and constant in its operation; a measure which will not restrict enterprise, which will not curtail production, and which will not offend the natural sense of justice.

When our forty millions of people have to raise eight hundred million dollars per year for public purposes we cannot have any difficulty in discovering such a remedy in the adjustment of taxation.

TAXATION OF LAND FALLS ONLY ON ITS OWNER

There is one peculiarity in a land tax. With a few trifling exceptions of no practical importance, it is the only tax which must be paid by the holder of the thing taxed. If we impose a tax upon money loaned, the lender will charge it to the borrower and the borrower must pay it, otherwise the money will be sent out of the country for investment, and if the borrower uses it in his business he, in his turn, must charge it to his customers, or his business becomes unprofitable. If we impose a tax upon buildings, those who use them must pay it, as otherwise the erection of buildings becomes unprofitable and will cease until rents become high enough to pay the regular profit on the cost of building and the tax besides. But not so with land. Land is not an article of production. Its quantity is fixed. No matter how little you tax it there will be no more of it; no matter how much you tax it there will be no less. It can neither be removed nor made scarce by cessation of production. There is no possible way in which owners of land can shift the tax upon the user.

And so while the effect of taxation upon all other things is to increase their value, and thus to make the consumer pay the tax — the effect of a tax upon land is to reduce its value — that is, its selling price, as it reduces the profit of its ownership without reducing its supply. It will not, however, reduce its renting price. The same amount of rent will be paid; but a portion of it will now go to the State instead of to the landlord. And were we to impose upon land a tax equal to the whole annual profit of its ownership, land would be worth nothing and might in many cases be abandoned by its owners. But the users would still have to pay as much as before — paying in taxes what they formerly paid as rent. And reversely, if we were to reduce or take off the taxes on land, the owner, not the user, would get

the benefits. Rents would be no higher, but would leave more profit, and the value of land would be more.

OF THE JUSTICE OF TAXING LAND

Here is a lot in the central part of San Francisco, which, irrespective of the buildings upon it, is worth $100,000. What gives that value? Not what its owner has done, but the fact that 150,000 people have settled around it. This lot yields its owner $10,000 annually. Where does this $10,000 come from? Evidently from the earnings of the workers of the community, for it can come from nowhere else.

Here is a lot on the outskirts. It is in the same condition in which nature left it. Intrinsically it is worth no more than when there were but a hundred people at Yerba Buena Cove. Then it was worth nothing. Now that there are 150,000 people here and more coming, it is worth $3,000. That is, its owner can command $3,000 worth of the labor or the wealth of the community. What does he give for this? Nothing — the land was there before he was.

Suppose a community like that of San Francisco, in which land, though in individual hands as now, has no value. Suppose, then, that all at once the land was given a value of, say, $150,000,000, which is about the present value of land in San Francisco. What would be the effect? That a tax, of which $150,000,000 is the capitalized value, would be levied upon the whole community for the benefit of a portion. There would be no more in the community than before, and no greater means of producing wealth. But of that wealth, beyond the share which they formerly had, the landowners would now command $150,000,000. That is, there would be $150,000,000 less for other people who were not landholders.

And does not this consideration of the nature and effect of land values go far to explain the puzzling fact that notwithstanding all the economies in production and distribution which a dense population admits, just as a community increases in population and wealth, so does the reward of the laborer decrease and poverty deepen?

One hundred men settle in a new place. Land has at first little or no value. The net result of their labor is divided pretty equally between them. Each one gets pretty nearly the full value of his contribution to the general stock. The community

becomes 100,000. Land has become valuable, its value perhaps aggregating as much as the value of all other property. The production of the community may now be more per capita for each individual who works, but before the division is made, one half of the product must go to the landholders. How, then, can the laborer get so much as he could in the small community?

Now in this view of the matter — considering land values as an indication of the appropriation (thought doubtless the necessary appropriation) of the wealth of all; considering land rentals as a tax upon the labor of the community, is not a tax upon land values the most just and the most equal tax that can be levied? Should we not take that which rightfully belongs to the whole before we take that which rightfully belongs to the individual?

THE EFFECTS OF SUCH A CHANGE

Consider the effects of the adoption of such a system:

The mere holder of land would be called on to pay just as much taxes as the user of land. The owner of a vacant city lot would have to pay as much for the privilege of keeping other people off it till he wanted to use it, as his neighbor who has a fine house upon his lot, and is either using or deriving rent from it. The monopolizer of agricultural land would be taxed as much as though his land were covered with improvements, with crops, and with stock. Land prices would fall; land speculation would receive its death blow;[1] land monopolization would no longer pay. Millions and millions of acres from which settlers are now shut out would be abandoned by their present owners, or sold to settlers on nominal terms. It is only in rare cases that it would pay any one to get land before he wanted to use it, so that those who really wanted to use land would find it easy to get.

RENT AND THE LAW OF RENT[2]

The term rent, in its economic sense — that is, when used, as I am using it, to distinguish that part of the produce which

[1] Doubtless the full taxation of land values will substantially put an end to holding land for a rise, especially long holdings. On short holdings it may be that it will not immediately kill speculation. Speculation deals not with the gross capitalized value of land, but with its net capitalized value, and the man who buys land heavily taxed at $100 and sells it for $200, profits by the transaction just as if he had bought lightly taxed land at $900 and sold it for $1,000. It may not be easy to head off "quick turns" in real estate. Ed.

[2] George, Henry, *Progress and Poverty*, Book III, chap. II, Doubleday, Page & Co., 1912.

accrues to the owners of land or other natural capabilities by virtue of their ownership — differs in meaning from the word rent as commonly used. In some respects this economic meaning is narrower than the common meaning; in other respects it is wider.

It is narrower in this: in common speech, we apply the word rent to payments for the use of buildings, machinery, fixtures, etc., as well as to payments for the use of land or other natural capabilities; and in speaking of the rent of a house or the rent of a farm, we do not separate the price for the use of the improvements from the price for the use of the bare land. But in the economic meaning of rent, payments for the use of any of the products of human exertion are excluded, and of the lumped payments for the use of houses, farms, etc., only that part is rent which constitutes the consideration for the use of the land — that part paid for the use of buildings or other improvements being properly interest, as it is a consideration for the use of capital.

It is wider in this: In common speech we speak of rent only when owner and user are distinct persons. But in the economic sense there is also rent where the same person is both owner and user. Where owner and user are thus the same person, whatever part of his income he might obtain by letting the land to another is rent, while the return for his labor and capital are that part of his income which they would yield him did he hire instead of owning the land. Rent is also expressed in a selling price. When land is purchased, the payment which is made for the ownership, or right to perpetual use, is rent commuted or capitalized. If I buy land for a small price and hold it until I can sell it for a large price, I have become rich, not by wages for my labor or by interest upon my capital, but by the increase of rent. Rent, in short, is the share in the wealth produced which the exclusive right to the use of natural capabilities gives to the owner. Wherever land has an exchange value there is rent in the economic meaning of the term. Wherever land having a value is used, either by owner or hirer, there is rent actual; wherever it is not used, but still has a value, there is rent potential. It is this capacity of yielding rent which gives value to land. Until its ownership will confer some advantage, land has no value.[1]

[1] In speaking of the value of land I use and shall use the words as referring to the value of the bare land. When I wish to speak of the value of land and improvements I shall use those words.

Thus rent or land value does not arise from the productiveness or utility of land. It in no wise represents any help or advantage given to production, but simply the power of securing a part of the results of production. No matter what are its capabilities, land can yield no rent and have no value until some one is willing to give labor or the results of labor for the privilege of using it; and what any one will thus give depends not upon the capacity of the land, but upon its capacity as compared with that of land that can be had for nothing. I may have very rich land, but it will yield no rent and have no value so long as there is other land as good to be had without cost. But when this other land is appropriated, and the best land to be had for nothing is inferior, either in fertility, situation, or other quality, my land will begin to have a value and yield rent. And though the productiveness of my land may decrease, yet if the productiveness of the land to be had without charge decreases in greater proportion, the rent I can get, and consequently the value of my land, will steadily increase. Rent, in short, is the price of monopoly, arising from the reduction to individual ownership of natural elements which human exertion can neither produce nor increase.

If one man owned all the land accessible to any community, he could, of course, demand any price or condition for its use that he saw fit; and, as long as his ownership was acknowledged, the other members of the community would have but death or emigration as the alternative to submission to his terms. This has been the case in many communities; but in the modern form of society, the land, though generally reduced to individual ownership, is in the hands of too many different persons to permit the price which can be obtained for its use to be fixed by mere caprice or desire. While each individual owner tries to get all he can, there is a limit to what he can get, which constitutes the market price or market rent of the land, and which varies with different lands and at different times. The law, or relation, which, under these circumstances of free competition among all parties, the condition which in tracing out the principles of political economy is always to be assumed, determines what rent or price can be got by the owner, is styled the law of rent. This fixed with certainty, we have more than a starting point from which the laws which regulate wages and interest may be traced. For, as the distribution of wealth is a division,

in ascertaining what fixes the share of the produce which goes as rent, we also ascertain what fixes the share which is left for wages, where there is no co-operation of capital; and what fixes the joint share left for wages and interest, where capital does co-operate in production.

Fortunately, as to the law of rent there is no necessity for discussion. Authority here coincides with common sense,[1] and the accepted dictum of the current political economy has the self-evident character of a geometric axiom. This accepted law of rent, which John Stuart Mill denominates the *pons asinorum* of political economy, is sometimes styled "Ricardo's law of rent," from the fact that, although not the first to announce it, he first brought it prominently into notice.[2] It is:

The rent of land is determined by the excess of its produce over that which the same application can secure from the least productive land in use.

This law, which of course applies to land used for other purposes than agriculture, and to all natural agencies, such as mines, fisheries, etc., has been exhaustively explained and illustrated by all the leading economists since Ricardo. But its mere statement has all the force of a self-evident proposition, for it is clear that the effect of competition is to make the lowest reward for which labor and capital will engage in production, the highest that they can claim; and hence to enable the owner of more productive land to appropriate in rent all the return above that required to recompense labor and capital at the ordinary rate—that is to say, what they can obtain upon the least productive land in use, or at the least productive point, where, of course, no rent is paid.

[1] I do not mean to say that the accepted law of rent has never been disputed. In all the nonsense that in the present disjointed condition of the science has been printed as political economy, it would be hard to find anything that has not been disputed. But I mean to say that it has the sanction of all economic writers who are really to be regarded as authority. As John Stuart Mill says (Book II, chap. xvi), "there are few persons who have refused their assent to it, except from not having thoroughly understood it. The loose and inaccurate way in which it is often apprehended by those who affect to refute it is very remarkable." An observation which has received many later exemplifications.

[2] According to McCulloch the law of rent was first stated in a pamphlet by Dr. James Anderson of Edinburgh in 1777, and simultaneously in the beginning of this century by Sir Edward West, Mr. Malthus, and Mr. Ricardo.

Perhaps it may conduce to a fuller understanding of the law of rent to put it in this form: The ownership of a natural agent of production will give the power of appropriating so much of the wealth produced by the exertion of labor and capital upon it as exceeds the return which the same application of labor and capital could secure in the least productive occupation in which they freely engage.

This, however, amounts to precisely the same thing, for there is no occupation in which labor and capital can engage which does not require the use of land; and, furthermore, the cultivation or other use of land will always be carried to as low a point of remuneration, all things considered, as is freely accepted in any other pursuit. Suppose, for instance, a community in which part of the labor and capital is devoted to agriculture and part to manufactures. The poorest land cultivated yields an average return which we will call 20, and 20 therefore will be the average return to labor and capital, as well in manufactures as in agriculture. Suppose that from some permanent cause the return in manufactures is now reduced to 15. Clearly, the labor and capital engaged in manufactures will turn to agriculture; and the process will not stop until, either by the extension of cultivation to inferior lands or to inferior points on the same land, or by an increase in the relative value of manufactured products, owing to the diminution of production — or, as a matter of fact, by both processes — the yield to labor and capital in both pursuits has, all things considered, been brought again to the same level, so that whatever be the final point of productiveness at which manufactures are still carried on, whether it be 18 or 17 or 16, cultivation will also be extended to that point. And, thus, to say that rent will be the excess in productiveness over the yield at the margin, or lowest point, of cultivation, is the same thing as to say that it will be the excess of produce over what the same amount of labor and capital obtains in the least remunerative occupation.

The law of rent is, in fact, but a deduction from the law of competition, and amounts simply to the assertion that as wages and interest tend to a common level, all that part of the general production of wealth which exceeds what the labor and capital employed could have secured for themselves, if applied to the poorest natural agent in use, will go to land owners in the shape of rent. It rests, in the last analysis, upon the fundamental prin-

ciple, which is to political economy what the attraction of gravitation is to physics — that men will seek to gratify their desires with the least exertion.

This, then, is the law of rent. Although many standard treatises follow too much the example of Ricardo, who seems to view it merely in its relation to agriculture, and in several places speaks of manufactures yielding no rent, when, in truth, manufactures and exchange yield the highest rents, as is evinced by the greater value of land in manufacturing and commercial cities, thus hiding the full importance of the law, yet, ever since the time of Ricardo, the law itself has been clearly apprehended and fully recognized. But not so its corollaries. Plain as they are, the accepted doctrine of wages (backed and fortified not only as has been hitherto explained, but by considerations whose enormous weight will be seen when the logical conclusion toward which we are tending is reached) has hitherto prevented their recognition.[1] Yet, is it not as plain as the simplest geometrical demonstration, that the corollary of the law of rent is the law of wages, where the division of the produce is simply between rent and wages; or the law of wages and interest taken together, where the division is into rent, wages, and interest? Stated reversely, the law of rent is necessarily the law of wages and interest taken together, for it is the assertion, that no matter what be the production which results from the application of labor and capital, these two factors will receive in wages and interest only such part of the produce as they could have produced on land free to them without the payment of rent — that is, the least productive land or point in use. For, if, of the produce, all over the amount which labor and capital could secure from land for which no rent is paid must go to land owners as rent, then all that can be claimed by labor and capital as wages and interest is the amount which they could have secured from land yielding no rent.

Or to put it in algebraic form:

$$\text{As Produce} = \text{Rent} + \text{Wages} + \text{Interest},$$
$$\text{Therefore, Produce} - \text{Rent} = \text{Wages} + \text{Interest}.$$

Thus wages and interest do not depend upon the produce of labor and capital, but upon what is left after rent is taken

[1] Buckle (chap. II, *History of Civilization*) recognizes the necessary relation between rent, interest, and wages, but evidently never worked it out.

out; or, upon the produce which they could obtain without paying rent — that is, from the poorest land in use. And hence, no matter what be the increase in productive power, if the increase in rent keeps pace with it, neither wages nor interest can increase.

The moment this simple relation is recognized, a flood of light streams in upon what was before inexplicable, and seemingly discordant facts range themselves under an obvious law. The increase of rent which goes on in progressive countries is at once seen to be the key which explains why wages and interest fail to increase with increase of productive power. For the wealth produced in every community is divided into two parts by what may be called the rent line, which is fixed by the margin of cultivation, or the return which labor and capital could obtain from such natural opportunities as are free to them without the payment of rent. From the part of the produce below this line wages and interest must be paid. All that is above goes to the owners of land. Thus, where the value of land is low, there may be a small production of wealth, and yet a high rate of wages and interest, as we see in new countries. And, where the value of land is high, there may be a very large production of wealth, and yet a low rate of wages and interest, as we see in old countries. And, where productive power increases, as it is increasing in all progressive countries, wages and interest will be affected, not by the increase, but by the manner in which rent is affected. If the value of land increases proportionately, all the increased production will be swallowed up by rent, and wages and interest will remain as before. If the value of land increases in greater ratio than productive power, rent will swallow up even more than the increase; and while the produce of labor and capital will be much larger, wages and interest will fall. It is only when the value of land fails to increase as rapidly as productive power, that wages and interest can increase with the increase of productive power. All this is exemplified in actual fact.

HOW EQUAL RIGHTS TO THE LAND MAY BE ASSERTED AND SECURED[1]

We have traced the want and suffering that everywhere prevail among the working classes, the recurring paroxysms of in-

[1] *Progress and Poverty*, Book VIII, Chap. II.

dustrial depression, the scarcity of employment, the stagnation of capital, the tendency of wages to the starvation point, that exhibit themselves more and more strongly as material progress goes on, to the fact that the land on which and from which all must live is made the exclusive property of some.

We have seen that there is no possible remedy for these evils but the abolition of their cause; we have seen that private property in land has no warrant in justice, but stands condemned as the denial of natural right — a subversion of the law of nature that as social development goes on must condemn the masses of men to a slavery the hardest and most degrading.

We have weighed every objection, and seen that neither on the ground of equity or expediency is there anything to deter us from making land common property by confiscating rent.

But a question of method remains. How shall we do it?

We should satisfy the law of justice, we should meet all economic requirements, by at one stroke abolishing all private titles, declaring all land public property, and letting it out to the highest bidders in lots to suit, under such conditions as would sacredly guard the private right to improvements.

Thus we should secure, in a more complex state of society, the same equality of rights that in a ruder state were secured by equal partitions of the soil, and by giving the use of the land to whoever could procure the most from it, we should secure the greatest production.

Such a plan, instead of being a wild, impracticable vagary, has (with the exception that he suggests compensation to the present holders of land — undoubtedly a careless concession which he upon reflection would reconsider) been indorsed by no less eminent a thinker than Herbert Spencer, who (*Social Statics,* chap. IX, sec. 8) says of it:

"Such a doctrine is consistent with the highest state of civilization; may be carried out without involving a community of goods, and need cause no very serious revolution in existing arrangements. The change required would simply be a change of landlords. Separate ownership would merge into the joint-stock ownership of the public. Instead of being in the possession of individuals, the country would be held by the great corporate body—society. Instead of leasing his acres from an isolated proprietor, the farmer would lease them from the nation. Instead of paying his rent to the agent of Sir John or his Grace, he would pay it to an agent or deputy agent of the community. Stewards would be public officials instead of private ones, and tenancy the only land tenure. A state of things so ordered would be in perfect harmony with the moral law. Under it all men would

be equally landlords, all men would be alike free to become tenants. . . . . Clearly, therefore, on such a system, the earth might be inclosed, occupied, and cultivated, in entire subordination to the law of equal freedom."

But such a plan, though perfectly feasible, does not seem to me the best. Or rather I propose to accomplish the same thing in a simpler, easier, and quieter way than that of formally confiscating all the land and formally letting it out to the highest bidders.

To do that would involve a needless shock to present customs and habits of thought — which is to be avoided.

To do that would involve a needless extension of governmental machinery — which is to be avoided.

It is an axiom of statesmanship, which the successful founders of tyranny have understood and acted upon — that great changes can best be brought about under old forms. We, who would free men, should heed the same truth. It is the natural method. When nature would make a higher type, she takes a lower one and develops it. This, also, is the law of social growth. Let us work by it. With the current we may glide fast and far. Against it, it is hard pulling and slow progress.

I do not propose either to purchase or to confiscate private property in land. The first would be unjust; the second, needless. Let the individuals who now hold it still retain, if they want to, possession of what they are pleased to call *their* land. Let them continue to call it *their* land. Let them buy and sell, and bequeath and devise it. We may safely leave them the shell, if we take the kernel.[1] *It is not necessary to confiscate land, it is only necessary to confiscate rent.*

Nor to take rent for public uses is it necessary that the state should bother with the letting of lands, and assume the chances of the favoritism, collusion, and corruption this might involve. It is not necessary that any new machinery should be created. The machinery already exists. Instead of extending it, all we have to do is to simplify and reduce it. By leaving to land own-

[1] In any probable inauguration of the Single Tax the ownership of land with use (which is all that economics has to do with) will be worth more and more. Ownership, without use, will be worth less and less. Without use, ownership would be the shell. With normal use, ownership, as the best form of title to improvements, would be the very kernel of civilization. Mr. George at this point, in contemplating the land owner, *per se*, loses sight of the user of land who is the buttress of society. The Single Tax has been side-tracked in thousands of minds by this unfortunate simile of the shell and the kernel. Ed.

ers a percentage of rent which would probably be much less than the cost and loss involved in attempting to rent lands through state agency, and by making use of this existing machinery, we may, without jar or shock, assert the common right to land by taking rent for public uses.

We already take some rent in taxation. We have only to make some changes in our modes of taxation to take it all.

What I, therefore, propose as the simple yet sovereign remedy which will raise wages, increase the earnings of capital, extirpate pauperism, abolish poverty, give remunerative employment to whoever wishes it, afford free scope to human powers, lessen crime, elevate morals and taste and intelligence, purify government and carry civilization to yet nobler heights, is—*to appropriate rent by taxation.*

In this way the State may become the universal landlord without calling herself so, and without assuming a single new function. In form, the ownership of land would remain just as now. No owner of land need be dispossessed, and no restriction need be placed upon the amount of land anyone could hold. For, rent being taken by the State in taxes, land, no matter in whose name it stood or in what parcels it was held, would be really common property, and every member of the community would participate in the advantages of its ownership.

Now, insomuch as the taxation of rent, or land values, must necessarily be increased just as we abolish other taxes, we may put the proposition into practical form by proposing—

To abolish all taxation save that upon land values.

As we have seen, the value of land is at the beginning of society nothing, but as society develops by the increase of population and the advance of the arts, it becomes greater and greater. In every civilized country, even the newest, the value of the land taken as a whole is sufficient to bear the entire expenses of government. In the better developed countries it is much more than sufficient. Hence it will not be enough merely to place all taxes upon the value of land. It will be necessary, where rent exceeds the present governmental revenues, commensurately to increase the amount demanded in taxation, and to continue this increase as society progresses and rent advances. But this is so natural and easy a matter, that it may be considered as involved, or at least understood, in the proposition

to put all taxes on the value of land. That is the first step, upon which the practical struggle must be made. When the hare is once caught and killed, cooking him will follow as a matter of course. When the common right to land is so far appreciated that all taxes are abolished save those which fall upon rent, there is no danger of much more than is necessary to induce them to collect the public revenues being left to individual landholders.

Experience has taught me (for I have been for some years endeavoring to popularize this proposition) that wherever the idea of concentrating all taxation upon land values finds lodgment sufficient to induce consideration, it invariably makes way, but that there are few of the classes most to be benefited by it, who at first, or even for a long time afterward, see its full significance and power. It is difficult for workingmen to get over the idea that there is a real antagonism between capital and labor. It is difficult for small farmers and homestead owners to get over the idea that to put all taxes on the value of land would be unduly to tax them. It is difficult for both classes to get over the idea that to exempt capital from taxation would be to make the rich richer and the poor poorer. These ideas spring from confused thought. But behind ignorance and prejudice there is a powerful interest, which has hitherto dominated literature, education, and opinion. A great wrong always dies hard, and the great wrong which in every civilized country condemns the masses of men to poverty and want, will not die without a bitter struggle.

I do not think the ideas of which I speak can be entertained by the reader who has followed me thus far; but inasmuch as any popular discussion must deal with the concrete, rather than with the abstract, let me ask him to follow me somewhat further, that we may try the remedy I have proposed by the accepted canons of taxation. In doing so, many incidental bearings may be seen that otherwise might escape notice.

THE PROPOSITION TRIED BY THE CANONS OF TAXATION[1]

The best tax by which public revenues can be raised is evidently that which will closest conform to the following conditions:

[1] *Progress and Poverty,* Book VIII, Chap. III.

(1) That it bear as lightly as possible upon production — so as least to check the increase of the general fund from which taxes must be paid and the community maintained.

(2) That it be easily and cheaply collected, and fall as directly as may be upon the ultimate payers — so as to take from the people as little as possible in addition to what it yields the government.

(3) That it be certain — so as to give the least opportunity for tyranny or corruption on the part of officials, and the least temptation to law-breaking and evasion on the part of the taxpayers.

(4) That it bear equally — so as to give no citizen an advantage or put any at a disadvantage, as compared with others.

Let us consider what form of taxation best accords with these conditions. Whatever it be, that evidently will be the best mode in which the public revenues can be raised.

I. THE EFFECT OF TAXES UPON PRODUCTION

All taxes must evidently come from the produce of land and labor, since there is no other source of wealth than the union of human exertion with the material and forces of nature. But the manner in which equal amounts of taxation may be imposed may very differently affect the production of wealth. Taxation which lessens the reward of the producer necessarily lessens the incentive to production; taxation which is conditioned upon the act of production, or the use of any of the three factors of production, necessarily discourages production. Thus taxation which diminishes the earnings of the laborer or the returns of the capitalist tends to render the one less industrious and intelligent, the other less disposed to save and invest. Taxation which falls upon the processes of production interposes an artificial obstacle to the creation of wealth. Taxation which falls upon labor *as* it is exerted, wealth *as* it is used as capital, and *as* it is cultivated, will manifestly tend to discourage production much more powerfully than taxation to the same amount levied upon laborers, whether they work or play, upon wealth whether used productively or unproductively, or upon land whether cultivated or left waste.

The mode of taxation is, in fact, quite as important as the amount. As a small burden badly placed may distress a horse that could carry with ease a much larger one properly adjusted,

so a people may be impoverished and their power of producing wealth destroyed by taxation which, if levied in another way, could be borne with ease. A tax on date trees, imposed by Mohammed Ali, caused the Egyptian fellas to cut down their trees; but a tax of twice the amount imposed on the land produced no such result. The tax of ten per cent on all sales, imposed by the Duke of Alva in the Netherlands, would, had it been maintained, have all but stopped exchange while yielding but little revenue.

But we need not go abroad for illustrations. The production of wealth in the United States is largely lessened by taxation which bears upon its processes. Shipbuilding, in which we excelled, has been all but destroyed so far as the foreign trade is concerned, and many branches of production and exchange seriously crippled, by taxes which divert industry from more to less productive forms.

This checking of production is in greater or less degree characteristic of most of the taxes by which the revenues of modern governments are raised. All taxes upon manufactures, all taxes upon commerce, all taxes upon capital, all taxes upon improvements, are of this kind. Their tendency is the same as that of Mohammed Ali's tax on date trees, though their effect may not be so clearly seen.

All such taxes have a tendency to reduce the production of wealth, and should, therefore, never be resorted to when it is possible to raise money by taxes which do not check production. This becomes possible as society develops and wealth accumulates. Taxes which fall upon ostentation would simply turn into the public treasury what otherwise would be wasted in vain show for the sake of show; and taxes upon wills and devises of the rich would probably have little effect in checking the desire for accumulation, which, after it has fairly got hold of a man, becomes a blind passion. But the great class of taxes from which revenue may be derived without interference with production are taxes upon monopolies — for the profit of monopoly is in itself a tax levied upon production, and to tax it is simply to divert into the public coffers what production must in any event pay.

There are among us various sorts of monopolies. For instance, there are the temporary monopolies created by the patent and copyright laws. These it would be extremely unjust

and unwise to tax, inasmuch as they are but recognitions of the right of labor to its intangible productions, and constitute a reward held out to invention and authorship.[1] There are also the onerous monopolies alluded to in chapter IV of Book III, which result from the aggregation of capital in businesses which are of the nature of monopolies. But while it would be extremely difficult, if not altogether impossible, to levy taxes by general law so that they would fall exclusively on the returns of such monopoly and not become taxes on production or exchange, it is much better that these monopolies should be abolished. In large part they spring from legislative commission or omission, as, for instance, the ultimate reason that San Francisco merchants are compelled to pay more for goods sent direct from New York to San Francisco by the Isthmus route than it costs to ship them from New York to Liverpool or Southampton and thence to San Francisco, is to be found in the "protective" laws which make it costly to build American steamers and which forbid

[1] Following the habit of confounding the exclusive right granted by a patent and that granted by a copyright as recognitions of the right of labor to its intangible productions, I in this fell into error which I subsequently acknowledged and corrected in the *Standard* of June 23, 1888. The two things are not alike, but essentially different. The copyright is not a right to the exclusive use of a fact, an idea, or a combination, which by the natural law of property all are free to use; but only to the labor expended in the thing itself. It does not prevent any one from using for himself the facts, the knowledge, the laws or combinations for a similar production, but only from using the identical form of the particular book or other production — the actual labor which has in short been expended in producing it. It rests therefore upon the natural, moral right of each one to enjoy the products of his own exertion, and involves no interference with the similar right of any one else to do likewise.

The patent, on the other hand, prohibits any one from doing a similar thing, and involves, usually for a specified time, an interference with the equal liberty on which the right of ownership rests. The copyright is therefore in accordance with the moral law—it gives to the man who has expended the intangible labor required to write a particular book or paint a picture security against the copying of that identical thing. The patent is in defiance of this natural right. It prohibits others from doing what has been already attempted. Every one has a moral right to think what I think, or to perceive what I perceive, or to do what I do — no matter whether he gets the hint from me or independently of me. Discovery can give no right of ownership, for whatever is discovered must have been already here to be discovered. If a man makes a wheelbarrow, or a book, or a picture, he has a moral right to that particular wheelbarrow, or book, or picture, but no right to ask that others be prevented from making similar things. Such a prohibition, though given for the purpose of stimulating discovery and invention, really in the long run operates as a check upon them.

foreign steamers to carry goods between American ports. The reason that residents of Nevada are compelled to pay as much freight from the East as though their goods were carried to San Francisco and back again, is that the authority which prevents extortion on the part of a hack driver is not exercised in respect to a railroad company. And it may be said generally that businesses which are in their nature monopolies are properly part of the functions of the State, and should be assumed by the State. There is the same reason why Government should carry telegraphic messages as that it should carry letters; that railroads should belong to the public as that common roads should.

But all other monopolies are trivial in extent as compared with the monopoly of land. And the value of land expressing a monopoly, pure and simple, is in every respect fitted for taxation. That is to say, while the value of a railroad or telegraph line, the price of gas or of a patent medicine, may express the price of monopoly, it also expresses the exertion of labor and capital; but the value of land, or economic rent, as we have seen, is in no part made up from these factors, and expresses nothing but the advantage of appropriation. Taxes levied upon the value of land cannot check production in the slightest degree, until they exceed rent, or the value of land taken annually, for unlike taxes upon commodities, or exchange, or capital, or any of the tools or processes of production, they do not bear upon production. The value of land does not express the reward of production, as does the value of crops, of cattle, of buildings, or any of the things which are styled personal property and improvements. It expresses the exchange value of monopoly. It is not in any case the creation of the individual who owns the land; it is created by the growth of the community. Hence the community can take it all without in any way lessening the incentive to improvement or in the slightest degree lessening the production of wealth. Taxes may be imposed upon the value of land until all rent is taken by the State, without reducing the wages of labor or the reward of capital one iota, without increasing the price of a single commodity or making production in any way more difficult.

But more than this. Taxes on the value of land not only do not check production as do most other taxes, but they tend to increase production, by destroying speculative rent. How

speculative rent checks production may be seen not only in the valuable land withheld from use, but in the paroxysms of industrial depression which, originating in the speculative advance in land values, propagate themselves over the whole civilized world, everywhere paralyzing industry, and causing more waste and probably more suffering than would a general war. Taxation which would take rent for public uses would prevent all this; while if land were taxed to anything near its rental value, no one could afford to hold land that he was not using, and consequently land not in use would be thrown open to those who would use it. Settlement would be closer, and consequently labor and capital would be enabled to produce much more with the same exertion. The dog in the manger who, in this country especially, so wastes productive power would be choked off.

There is yet an even more important way by which, through its effect upon distribution, the taking of rent to public uses by taxation would stimulate the production of wealth. But reference to that may be reserved. It is sufficiently evident that with regard to production, the tax upon the value of land is the best tax that can be imposed. Tax manufactures, and the effect is to check manufacturing; tax improvements, and the effect is to lessen improvement; tax commerce, and the effect is to prevent exchange; tax capital, and the effect is to drive it away. But the whole value of land may be taken in taxation, and the only effect will be to stimulate industry, to open new opportunities to capital, and to increase the production of wealth.

II. AS TO EASE AND CHEAPNESS OF COLLECTION

With, perhaps, the exception of certain licenses and stamp duties, which may be made almost to collect themselves, but which can be relied on for only a trivial amount of revenue, a tax upon land values can, of all taxes, be most easily and cheaply collected. For land cannot be hidden or carried off; its value can be readily ascertained, and the assessment once made, nothing but a receiver is required for collection.

And as under all fiscal systems some part of the public revenues is collected from taxes on land, and the machinery for that purpose already exists and could as well be made to collect all as a part, the cost of collecting the revenue now obtained by other taxes might be entirely saved by substituting the tax on land values for all other taxes. What an enormous saving might

thus be made can be inferred from the horde of officials now engaged in collecting these taxes.

This saving would largely reduce the difference between what taxation now costs the people and what it yields, but the substitution of a tax on land values for all other taxes would operate to reduce this difference in an even more important way.

A tax on land values does not add to prices, and is thus paid directly by the persons on whom it falls; whereas, all taxes upon things of unfixed quantity increase prices, and in the course of exchange are shifted from seller to buyer, increasing as they go. If we impose a tax upon money loaned, as has been often attempted, the lender will charge the tax to the borrower, and the borrower must pay it or not obtain the loan. If the borrower uses it in his business, he in his turn must get back the tax from his customers, or his business becomes unprofitable.

If we impose a tax upon buildings, the users of buildings must finally pay it, for the erection of buildings will cease until building rents become high enough to pay the regular profit and the tax besides. If we impose a tax upon manufactures or imported goods, the manufacturer or importer will charge it in a higher price to the jobber, the jobber to the retailer, and the retailer to the consumer. Now, the consumer, on whom the tax thus ultimately falls, must not only pay the amount of the tax, but also a profit on this amount to every one who has thus advanced it — for profit on the capital he has advanced in paying taxes is as much required by each dealer as profit on the capital he has advanced in paying for goods. Manila cigars cost, when bought of the importer in San Francisco, $70 a thousand, of which $14 is the cost of the cigars laid down in this port and $56 is the customs duty. But the dealer who purchases these cigars to sell again must charge a profit not on $14, the real cost of the cigars, but on $70, the cost of the cigars plus the duty. In this way all taxes which add to prices are shifted from hand to hand, increasing as they go, until they ultimately rest upon consumers, who thus pay much more than is received by the government. Now, the way taxes raise prices is by increasing the cost of production, and checking supply. But land is not a thing of human production, and taxes upon rent cannot check supply. Therefore, though a tax on rent compels the landowners to pay more,

it gives them no power to obtain more for the use of their land, as it in no way tends to reduce the supply of land. On the contrary, by compelling those who hold land on speculation to sell or let for what they can get, a tax on land values tends to increase the competition between owners, and thus to reduce the price of land.

Thus in all respects a tax upon land values is the cheapest tax by which a large revenue can be raised — giving to the government the largest net revenue in proportion to the amount taken from the people.

III. AS TO CERTAINTY

Certainty is an important element in taxation, for just as the collection of a tax depends upon the diligence and faithfulness of the collectors and the public spirit and honesty of those who are to pay it, will opportunities for tyranny and corruption be opened on the one side, and for evasions and frauds on the other.

The methods by which the bulk of our revenues are collected are condemned on this ground if on no other. The gross corruptions and fraud occasioned in the United States by the whisky and tobacco taxes are well known; the constant undervaluations of the Custom House, the ridiculous untruthfulness of income tax returns, and the absolute impossibility of getting anything like a just valuation of personal property, are matters of notoriety. The material loss which such taxes inflict — the item of cost which this uncertainty adds to the amount paid by the people but not received by the government — is very great. When, in the days of the protective system of England, her coasts were lined with an army of men endeavoring to prevent smuggling, and another army of men were engaged in evading them, it is evident that the maintenance of both armies had to come from the produce of labor and capital; that the expenses and profits of the smugglers, as well as the pay and bribes of the Custom House officers, constituted a tax upon the industry of the nation, in addition to what was received by the government. And so, all *douceurs* to assessors; all bribes to customs officials; all moneys expended in electing pliable officers or in procuring acts or decisions which avoid taxation; all the costly modes of bringing in goods so as to evade duties, and of manufacturing so as

to evade imposts; all moieties, and expenses of detectives and spies; all expenses of legal proceedings and punishments, not only to the government, but to those prosecuted, are so much which these taxes take from the general fund of wealth without adding to the revenue.

Yet this is the least part of the cost. Taxes which lack the element of certainty tell most fearfully upon morals. Our revenue laws as a body might well be entitled "Acts to promote the corruption of public officials, to suppress honesty and encourage fraud, to set a premium upon perjury and the subornation of perjury, and to divorce the idea of law from the idea of justice." This is their true character, and they succeed admirably. A Custom House oath is a byword; our assessors regularly swear to assess all property at its full, true, cash value, and habitually do nothing of the kind; men who pride themselves on their personal and commercial honor bribe officials and make false returns; and the demoralizing spectacle is constantly presented of the same court trying a murderer one day and a vender of unstamped matches the next!

So uncertain and so demoralizing are these modes of taxation that the New York Commission, composed of David A. Wells, Edwin Dodge, and George W. Cuyler who investigated the subject of taxation in that state, proposed to substitute for most of the taxes now levied, other than that on real estate, an arbitrary tax on each individual, estimated on the rental value of the premises he occupied.

But there is no necessity of resorting to any arbitrary assessment. The tax on land values, which is the least arbitrary of taxes, possesses in the highest degree the element of certainty. It may be assessed and collected with a definiteness that partakes of the immovable and unconcealable character of the land itself. Taxes levied on land may be collected to the last cent, and though the assessment of land is now often unequal, yet the assessment of personal property is far more unequal, and these inequalities in the assessment of land largely arise from the taxation of improvements with land, and from the demoralization that, springing from the causes to which I have referred, affects the whole scheme of taxation. Were all taxes placed upon land values, irrespective of improvements, the scheme of taxation would be so simple and clear, and public attention would be so directed to it, that the valuation for taxation could and would be made

with the same certainty that a real estate agent can determine the price a seller can get for a lot.

IV. AS TO EQUALITY

Adam Smith's canon is, that "the subjects of every state ought to contribute toward the support of the government as nearly as possible in proportion to their respective abilities; that is, in proportion to the revenue which they respectively enjoy under the protection of the state." Every tax, he goes on to say, which falls only upon rent, or only upon wages, or only upon interest, is necessarily unequal. In accordance with this is the common idea which our systems of taxing everything vainly attempt to carry out — that every one should pay taxes in proportion to his means, or in proportion to his income.

But, waiving all the insuperable practical difficulties in the way of taxing every one according to his means, it is evident that justice cannot be thus attained.

Here, for instance, are two men of equal means, or equal incomes, one having a large family, the other having no one to support but himself. Upon these two men indirect taxes fall very unequally, as the one cannot avoid the taxes on the food, clothing, etc., consumed by his family, while the other need pay only upon the necessaries consumed by himself. But, supposing taxes levied directly, so that each pays the same amount. Still there is injustice. The income of the one is charged with the support of six, eight, or ten persons; the income of the other with that of but a single person. And unless the Malthusian doctrine be carried to the extent of regarding the rearing of a new citizen as an injury to the state, here is a gross injustice.

But it may be said that this is a difficulty which cannot be got over; that it is Nature herself that brings human beings helpless into the world and devolves their support upon the parents, providing in compensation therefor her own sweet and great rewards. Very well, then, let us turn to Nature, and read the mandates of justice in her law.

Nature gives to labor, and to labor alone. In a very Garden of Eden a man would starve but for human exertion. Now, here are two men of equal incomes — that of the one derived from the exertion of his labor, that of the other from the rent of land. Is it just that they should equally contribute to the expenses of the state? Evidently not. The income of the one

represents wealth he creates and adds to the general wealth of the state; the income of the other represents merely wealth that he takes from the general stock, returning nothing. The right of the one to the enjoyment of his income rests on the warrant of Nature, which returns wealth to labor; the right of the other to the enjoyment of his income is a mere fictitious right, the creation of municipal regulation, which is unknown and unrecognized by Nature. The father who is told that from his labor he must support his children must acquiesce, for such is the natural decree; but he may justly demand that from the income gained by his labor not one penny shall be taken, so long as a penny remains of incomes which are gained by a monopoly of the natural opportunities which Nature offers impartially to all, and in which his children have as their birthright an equal share.

Adam Smith speaks of incomes as "enjoyed under the protection of the State"; and this is the ground upon which the equal taxation of all species of property is commonly insisted upon — that it is equally protected by the State. The basis of this idea is evidently that the enjoyment of property is made possible by the State — that there is a value created and maintained by the community, which is justly called upon to meet community expenses. Now, of what values is this true? Only of the value of land. This is a value that does not arise until a community is formed, and that, unlike other values, grows with the growth of the community. It exists only as the community exists. Scatter again the largest community, and land, now so valuable, would have no value at all. With every increase of population the value of land rises; with every decrease it falls. This is true of nothing else save of things which, like the ownership of land, are in their nature monopolies.

The tax upon land values is, therefore, the most just and equal of all taxes. It falls only upon those who receive from society a peculiar and valuable benefit, and upon them in proportion to the benefit they receive. It is the taking by the community, for the use of the community, of that value which is the creation of the community. It is the application of the common property to common uses. When all rent is taken by taxation for the needs of the community, then will the equality ordained by Nature be attained. No citizen will have an advantage over any other citizen save as is given by his industry, skill, and intelligence; and each will obtain what he fairly earns.

CHAPTER VII

Rev. Edward McGlynn, 1837–1900

DR. EDWARD McGLYNN, one of the most prominent supporters of the new movement in its early days, was born of Irish parentage in New York City, September 22, 1837. He became a protégé of Archbishop Hughes, who sent him to the College of the Propaganda in Rome to be educated for the priesthood. He distinguished himself as a student, and at the age of twenty-two was ordained. His first work in the ministry was as assistant pastor to Dr. Cummings at St. Stephen's Church in New York City. Eight years later he succeeded Dr. Cummings as pastor. Of fine presence, large in heart and large in person, he won the love and esteem of his 1,700 parishioners. He was a zealous Catholic, devoted to the spiritual doctrines of his church, and withal a man of independent thought and unbounded courage—an ardent American. He deserves peculiar honor, not because of original work, but because, in a great metropolis, he was the shepherd of a great flock of a great church, who stood forth like a full-blown radical rose in a great garden of conservatism; and because he presented his land theory for final decision with a completeness of doctrine and beauty of form hardly to be excelled.

Incidental to a visit of Michael Davitt in behalf of Irish land reform, and under the spell of *Progress and Poverty,* Dr. McGlynn announced himself a disciple and supporter of American land reform. Speaking from the same platform

with Davitt, he proclaimed the righteousness of their cause with such force and eloquence that Henry George, to whom hitherto he had been unknown, hailed him as "an army with banners," and the two men became warm friends. A brief five years later Dr. McGlynn, standing in the presence of a funeral throng of 10,000 in and out of the Grand Central Palace, closed his eulogy of his friend with the impressive paraphrase: "There was a man sent from God whose name was Henry George."

The work of Dr. McGlynn in advancing his newly espoused cause is important, not only because of his convincing power as a thinker and orator, but also because he brought the subject to the attention of the authorities of his church in a way to compel their judgment upon the taxation of economic rent as a moral issue.

The circumstances were these. Because of his public utterances in behalf of the "single tax" at the time of the Land League agitation, in 1882, and in 1886 in the mayoralty campaign in which Henry George, Abram Hewitt, and Theodore Roosevelt were candidates, Dr. McGlynn became involved in a controversy, now historic, with his ecclesiastical superiors. The initial issue was one of church discipline, rather than of the truth of an economic tenet. The situation was aggravated by lack of temperance among some of the parties, so that it finally resulted in Dr. McGlynn's excommunication, a grievance to his many friends both in and out of the Catholic church. Among these a fellow-priest, Mgr. Burtsell of Rondout, New York, was, throughout the controversy, counsel for Dr. McGlynn, interesting himself in the exoneration of his friend. The interests of the Vatican in this country were at that time in the hands of Monsignor Satolli, resident ablegate, one of whose important charges was to bring to a satisfac-

tory conclusion what was then known as the McGlynn controversy.

Monsignor Satolli in a former visit to the United States in 1889, and as the guest of Archbishop Corrigan, had ample opportunity for investigation of the land question from the viewpoint of the United States and of Rome. Hence he had four years of time in which he might have made a preliminary examination. He was credited with having been one of those consulted when the Pope's encyclical, *Rerum Novarum,* of May 14, 1891, was in preparation, and was thereby the better able to judge what was in accord or in conflict with it.

Dr. McGlynn, at the request of the Apostolic Delegate, submitted to him, through his counsel, a statement in Italian, expressing his views on the subjects of private property in land and the taxation of economic rent. On this statement Monsignor Satolli consulted four of the professors of the Catholic University. The decision of Monsignor Satolli that there was nothing contrary to Catholic doctrine in the opinions of Dr. McGlynn as exhibited in that statement was official, and was followed by the return of Dr. McGlynn to active duty at Newburgh, New York, where he died, January 7, 1900.

In the teachings of the Catholic church, notably in the encyclical of Pope Leo XIII on the *Condition of Labor,* 1892, the Pope carefully reiterated the law of the church in this comprehensive sentence:

> The right to possess property is from nature, not from man; and the State has only the right to regulate its use in the interests of the public good, but by no means to abolish the right to possess it altogether. The State is, therefore, unjust and cruel, if, in the name of taxation, it deprives the private owner of more than is just.

The reinstatement of Dr. McGlynn would thus imply that if the single tax could be shown to be just, it would not be a contravention of the ethical teachings of the Catholic church.

It is somewhat curious to note that whether or not it was his ecclesiastical fire that burned the error out of his mind, in Dr. McGlynn's statement of economic belief upon which he was restored to his priestly functions there is not a hint of the abolition of the institution of private ownership or estate in land, or of the equal right of all men to the ownership of land. The one thing prominent was the simple tenet of the right of all men to the rent of land. Dr. McGlynn disavowed to his ecclesiastical superiors the error which they combated — the abolition of private property in land — and they yielded to him his economic conviction, refined by his own masterly hand, of the right of all men to the rental value of land.

If the foregoing is true, then the McGlynn adjustment, instead of being a surrender on the part of the church, was a distinct step in economic advance, and all the harsh misrepresentations and disputes over this unfortunate incident are seen to have been worse than a waste of words — a sorry detriment to a sacred cause.

The episode of Henry George's open letter to Pope Leo XIII, which presumed upon the Pope's hostility to the single-tax doctrine, proved a most disturbing element in the progress of that cause, and has so continued for the quarter of a century that has intervened. Fresh reference to this incident is justified by the fact that this mistake of Henry George's, which he frankly confessed and did his best to correct, was the same mistake which many of his devoted followers have thoughtlessly sanctioned, and still persist in prolonging and aggravating without, like him, confessing their sins. The blemish of an ex-parte judgment upon a great reputation is as nothing

compared with the vindication of a great cause. The present occasion, late though it be, is the proper time to establish, in harmony with succeeding events, the main facts in the case.

The following excerpts from letters from Dr. McGlynn's ecclesiastical counsel, Mgr. Burtsell, February 15 to March 6, 1909, are self-explanatory, and corroborate the truth of the situation:

DEAR MR. FILLEBROWN:

. . . . I told Henry George that he had made a mistake in writing his letter to Pope Leo XIII, as if he opposed his theory he should have used the many parts of that Encyclical of Leo XIII that laid the foundation for the single-tax theory without antagonizing any part of it. Once Henry George openly said that he found opposition to his theory in the Encyclical, Catholics, especially bishops, would presume against Henry George, even where the questions were not within the domain of faith, and would be loath to openly adopt the theory even if it appeared plausible. I told him that his letter would always injure his influence among Catholics. He frankly acknowledged that he had committed a tactical mistake at least—as he said that even in questions of political economy the presumption would be that the Pope with all his counsellors would be wiser than he, and as he himself had declared that he had found the postulates for his theory in that Encyclical, he should have utilized them for the upbuilding of his theory, instead of appearing to find obstacles to it. . . . .

Dr. McGlynn from the beginning interpreted Leo XIII's Encyclical on Labor as in full conformity with the principles of the single tax. . . . .

Archbishop Corrigan from the Cathedral pulpit personally explained that the Encyclical *Rerum Novarum* had in clear view condemned Henry George's and Dr. McGlynn's land theory, as a part of socialism. This was really the occasion of Henry George's reply to Pope Leo XIII. I published in the *New York Sun* in January, 1893, the English translation of my Latin presentation of the theory to Mgr. Satolli, which was the first presentation accepted by him and the professors of the Catholic University. Then I suggested to Henry George to write to the

New York Sun what he thought of my presentation, and to recall his opposition to Leo XIII's Encyclical. This letter was published in the *Sun* in January, 1893, wherein Mr. George expressed his approval of the presentation, and stated that he had been misled into his reply to Leo XIII by Archbishop Corrigan's interpretation, and that he now regretted his criticism because he found really the postulates necessary for his theory in that Encyclical, with which Mgr. Satolli had found my presentation (as he had Dr. McGlynn's) to be in accord. . . . .

I have just read in *The Life of Henry George,* by his son (pp. 560–566), a fair account of what I stated above, with quotation of one letter [*New York Sun*].

Very sincerely yours,
(Sd.) R. L. BURTSELL.

In a later letter Mgr. Burtsell suggested the following, which appears as a footnote in *The A B C of Taxation,* p. 104:

Henry George, in his *Open Letter to the Pope,* apparently did not advert to these words, "more than is just," and hence his reasoning is open to the charge of lacking that complete justice which was his highest aim.

Dr. McGlynn was Henry George's great and powerful coadjutor in bringing to men's minds the broad general truths involved in the nature of economic rent and its taxation. Neither of them concerned himself with specific ways and means. Neither thought of interpreting the statement that all ground rent ought to be taken for public use to mean that the whole of it ought to be taken and at once, but both, recognizing that a right thing may be done in a wrong way, insisted that a right way ought to be found to do a thing that ought to be done.

The following English version of the document presented to Monsignor Satolli by Dr. McGlynn in December, 1892—

and by his direction examined by a committee of the professors of the Catholic University, at Washington, D.C., and declared to contain nothing contrary to Catholic teaching — will stand as a monument to the catholicity of the Catholic church.

All men are endowed by the law of nature with the right to life and to the pursuit of happiness, and therefore with the right to exert their energies upon those natural bounties without which labor or life is impossible.

God has granted those natural bounties, that is to say, the earth, to mankind in general, so that no part of it has been assigned to anyone in particular, and so that the limits of private possession have been left to be fixed by man's own industry and the laws of individual peoples.

But it is a necessary part of the liberty and dignity of man that man should own himself, always, of course, with perfect subjection to the moral law. Therefore, besides the common right to natural bounties, there must be by the law of nature private property and dominion in the fruits of industry or in what is produced by labor out of those natural bounties to which the individual may have legitimate access, that is, so far as he does not infringe the equal right of others or the common rights.

It is a chief function of civil government to maintain equally sacred these two natural rights.

It is lawful, and it is for the best interests of the individual and of the community, and necessary for civilization, that there should be a division as to the use and an undisturbed, permanent, exclusive private possession of portions of the natural bounties, or of the land; in fact, such exclusive possession is necessary to the ownership, use, and enjoyment by the individual of the fruits and products of his industry.

But the organized community through civil government must always maintain the dominion over those natural bounties, as distinct from the products of private industry and from that private possession of the land which is necessary for their enjoyment. The maintenance of this dominion over the natural bounties is a primary function and duty of the organized community, in order to maintain the equal right of all men to labor for their living and for the pursuit of happiness, and therefore their equal right of access directly or indirectly to natural bounties. The

assertion of this dominion by civil government is especially necessary, because, with the very beginning of civil government and with the growth of civilization, there comes to the natural bounties, or the land, a peculiar and an increasing value distinct from and irrespective of the products of private industry existing therein. This value is not produced by the industry of the private possessor or proprietor, but is produced by the existence of the community, and grows with the growth and civilization of the community. It is therefore called unearned increment. It is this unearned increment that in cities gives to lands without any improvements so great a value. This value represents and measures the advantages and opportunities produced by the community, and men, when not permitted to acquire the absolute dominion over such lands, will willingly pay the value of this unearned increment in the form of rents, just as men, when not permitted to own other men, will willingly pay wages for desired services.

No sooner does the organized community, or state, arise, than it needs revenues. This need for revenues is small at first while population is sparse, industry rude, and the functions of the State few and simple, but with growth of population and advance of civilization the functions of the State increase and larger and larger revenues are needed. God is the author of society and has pre-ordained civilization. The increasing need for public revenues with social advance being a natural, God-ordained need, there must be a right way of raising them — some way that we can truly say is the way intended by God. It is clear that this right way of raising public revenues must accord with the moral law or the law of justice. It must not conflict with individual rights; it must find its means in common rights and common duties. By a beautiful providence, that may be truly called divine, since it is founded upon the nature of things and the nature of man, of which God is the creator, a fund, constantly increasing with the capacities and needs of society, is produced by the very growth of society itself, namely, the rental value of the natural bounties of which society retains dominion. The justice and the duty of appropriating this fund to public uses is apparent in that it takes nothing from the private property of individuals except what they will pay willingly as an equivalent for a value produced by the community, which they are permitted to enjoy. The fund thus created is clearly by

the law of justice a public fund, not merely because the value is a growth that comes to the natural bounties which God gave to the community in the beginning, but also, and much more, because it is a value produced by the community itself, so that this rental value belongs to the community by that best of titles, namely, producing, making, or creating.

To permit any portion of this public property to go into private pockets, without a perfect equivalent being paid into the public treasury, would be an injustice to the community. Therefore the whole rental fund should be appropriated to common or public uses.

This rental tax will make compulsory the adequate utilization of natural bounties exactly in proportion to the growth of the community and of civilization, and will thus compel the possessors to employ labor, the demand for which will enable the laborer to obtain perfectly just wages. The rental tax fund, growing by a natural law proportionately with the growth of civilization, will thus be sufficient for public needs and capacities, and therefore all taxes upon industry and upon the products of industry may and should be abolished. While the tax on land values promotes industry, and therefore increases private wealth, taxes upon industry act like a fine or a punishment inflicted upon industry — they impede and restrain and finally strangle it.

In the desired condition of things land would be left in the private possession of individuals, with full liberty on their part to give, sell, or bequeath it, while the State would levy on it for public uses a tax that should equal the annual value of the land itself, irrespective of the use made of it or the improvements on it.

The only utility of private ownership and dominion of land, as distinguished from possession, is the evil utility of giving to the owners the power to reap where they have not sown, to take the products of the labor of others without giving them an equivalent — the power to impoverish and practically to reduce to a species of slavery the masses of men, who are compelled to pay to private owners the greater part of what they produce for permission to live and to labor in this world, when they would work upon the natural bounties for their own account, and the power, when men work for wages, to compel them to compete against one another for the opportunity to labor, and to compel them to consent to labor for the lowest possible wages — wages that are by no means the equivalent of the new value created by the work

of the laborer, but are barely sufficient to maintain the laborer in a miserable existence, and even the power to deny to the laborer the opportunity to labor at all. This is an injustice against the equal right of all men to life and to the pursuit of happiness, a right based upon the brotherhood of man which is derived from the fatherhood of God. This is the injustice that we would abolish in order to abolish involuntary poverty.

That the appropriation of the rental value of land to public uses in the form of a tax would abolish the injustice which has just been described, and thus abolish involuntary poverty, is clear; since in such case no one would hold lands except for use, and the masses of men, having free access to unoccupied lands, would be able to exert their labor directly upon natural bounties and to enjoy the full fruits and products of their labors, beginning to pay a portion of the fruits of their industry to the public treasury only when, with the growth of the community and the extension to them of the benefits of civilization, there would come to their lands a rental value distinct from the value of the products of their industry, which value they would willingly pay as the exact equivalent of the new advantages coming to them from the community; and again in such case men would not be compelled to work for employers for wages less than absolutely just wages, namely, the equivalent of the new value created by their labor; since men surely would not consent to work for unjust wages when they could obtain perfectly just wages by working for themselves; and, finally, since, when what belongs to the community shall have been given to the community, the only valuable things that men shall own as private property will be those things that have been produced by private industry, the boundless desires and capacities of civilized human nature for good things will always create a demand for these good things, namely, the products of labor — a demand always greater than the supply; and therefore for the labor that produces these good things there will always be a demand greater than the supply, and the laborer will be able to command perfectly just wages — which are a perfect equivalent in the product of some other person's labor for the new value which his own labor produces.

THOMAS G. SHEARMAN

1834-1900

CHAPTER VIII

Thomas G. Shearman, 1834–1900

HAVING occasion to scan the latest volumes on political economy, the authorities of the colleges and universities of the United States and Canada, in order to note how much economic importance is therein attached to the taxation of land values, I found myself confronted by more than one surprise.

(1) Almost the only name connected by these writers with the reform as originator and interpreter and commentator is that of Henry George. The chief and more numerous criticisms pertain, not to the principles of a scientific taxation for which Henry George stood, but are centered upon the gratuitous and fallacious charge that the burden of his message to the world was confiscation of property and the overturn of civilization.

This way of handling the subject during the past thirty years has shown little gain for either professors or for tax reform, and I have come to realize that this poverty of method amounts to an educational abnormity if not deformity.

(2) I was surprised to note that in all these volumes no room was found for the name and dictum of Mr. Thomas G. Shearman, a man who, in addition to his general reputation as an authority on whatever subject he touched, was a sounder, safer, and more thorough student and expositor of the princi-

ples of taxation than any other person who has spoken from the single-tax standpoint. Yet no economist appears to have made so much as a pretense of answering his argument. That his taxation work, which was the particular pride of his life, should have been unchronicled in the economic annals of his generation, seems almost incredible, and yet, *mirabile dictu,* in eleven of the volumes on political economy that span the economic firmament, the name of Thomas G. Shearman is not indexed, while four have half a dozen references or citations, none of which deal with the principle of land-values taxation. This complete ignoring of a leading authority can be explained only upon the theory that his plan of tax reform is thought to be of no consequence.

Under these circumstances I cannot forbear to make an earnest request of the professors that they will reopen the case, "*In re* Natural Taxation," according to Thomas G. Shearman, and allow it to be reargued before a fresh bench and jury, thus giving him a fraction of the thirty years' innings that have been accorded to Henry George.

To extol the excellences of Mr. Shearman by no means implies detraction from the achievements of Mr. George. In a dozen volumes of reform literature, resplendent with illustration, Mr. George essayed, with his five main divisions and sixty-four subdivisions, to sweep the whole field of political economy. He compassed the gamut of human emotions. He argued *de novo* for the abstract rights of man, equal, natural, original, and inherent; and in support of his thesis he marshaled in stately array the moral, philosophical, and religious sentiments of mankind.

Mr. Shearman was not a man of hobbies. His taxation work he regarded as by far his best investment for the interest of his fellow-men. Here are his own words:

I do not estimate very highly the value of my own work in any direction, in business, in the church, or in public affairs. But I can see more substantial fruit of my efforts in the direction of a higher development of humanity through the reform of taxation than in any other direction whatever. Obscure as my work has been, ... it has marked a channel in which an ever-swelling tide of human energy will flow. . . . . It has given a direction to the spirit of reform which will insure great results after I have left the work forever.

In a single book, *Natural Taxation,* a volume of scientific, prose reasoning, he supplemented George's eloquent exhibit with the cold and exact statement of an energizing, enacting clause without which no reform can be made operative. He set out to elaborate the special economic advantage of a natural tax, and followed with wonderfully clear deductions as to its effects. Mr. George made small pretense to calculation of the volume of economic rent, and attempted little illustration of that feature of his subject. For himself he said: "What I have endeavored to do is to establish general principles, trusting to my readers to carry further their application where this is needed." Mr. Shearman, who wrote a dozen years later, and who reveled in their application, as well as in the principles themselves, labored with almost infinite pains to collect data and frame reliable estimates of the volume of rents such as have not been superseded, because no one has been found with faculty and patience to bring these calculations down to date. Meantime events have very largely verified the proportion, and hence the substantial accuracy of his calculations. In view of his admitted thoroughness we may be assured that his opinions deserve respect. He was a judge who could be trusted to let complete evidence and full consideration precede his decision.

Economists, especially the professionals, sometimes have

been sharply criticized for not enrolling themselves under the banner of Henry George. If such an enrolment meant a commitment simply to his tenet of the single tax, harmonization might not be despaired of, but if such an enrolment were to commit them by implication to others of his remaining sixty-three economic tenets, it is easy to see how their difficulties are multiplied many fold, a complication which in their frank opinion even the justice of the situation does not demand.

It is probably true that the professors as a body are far from agreeing with Mr. George in his general theory of production and distribution, while in "beating together the ample field" of political economy in the large, there would be the certainty of collisions without number. Very many economists incline with favor to Henry George as to his land-value tax, but with the jealous reservation of differing with him upon many of his other contentions. One would naturally think that upon Mr. Shearman, with his one platform and one plank, the professors might unite without hazard to inherited dogma on the one hand, or risk of speculative heresy on the other.

Disregarding the voluminous moralizations (the basis of much obstructive argumentation even among those who do not differ), Mr. Shearman, like Mr. George, buried his lance directly in the heart of the social problem. Without convoying his disciples through the wilderness of three or six thousand years of wandering thought, he reached the Henry George goal by a simple scientific route.

Perhaps nothing could add more weight and dignity to the reasonableness of this humble petition than to recall something of the gifts and accomplishments of Shearman, the publicist, philanthropist, and religionist, whose economic prestige can never be dimmed.

At the memorial services in Plymouth Church his luminous characteristics were assembled in bold relief by various speakers.

His pastor, Rev. Newell Dwight Hillis, said of him that —

> out of a passionate love for his fellows he tried to turn the principles of Jesus Christ into the writings and practice of a great lawyer. . . . . This great church has had heroes — in Mr. Beecher, the greatest preacher of the love of God that the world has seen since the Christian era began, and in Mr. Shearman another. . . . . One of the strongest, best, and bravest men of his generation that this country has produced. . . . . During the forty years of his career he appeared upon the platform over seven hundred times to urge the rights of the black man, the Indian, the Armenian, and the poor and despised of every city and nation.

Mr. Shearman was born November 25, 1834, in Birmingham, England, of English parents. His father was a versatile man, in turn physician, writer, and preacher. Denominationally a Baptist, he was a great student of the Bible, and a great reader and lover of Shakespeare. What education Mr. Shearman had was the work of a gifted mother, a teacher of practical excellence both abroad and at home. A copy of the New Testament is treasured in which he read at the age of four.

Through lack of family fortune he was early thrown on his own resources, and, as Dr. Hillis continues —

> mainly self-educated and self-made, his intellect was hammered out upon the anvil of adversity. . . . . At twelve he was out in the world for himself. At thirteen his school days ended forever. At fourteen he entered an office, where he received apprentice's wages of $1.00 a week for the first year and $1.50 for the second. . . . . Fifteen years found him deliberately fashioning his English style upon Bunyan for simplicity, Baxter for unity and orderly movement, and Macaulay for picturesque narration. . . . . At thirty-one he was identifying and tabulating out of his own unaided memory over seven hundred court cases. . . . . When

in 1875 the great storm burst upon Mr. Beecher he urged his pastor to devote himself to his regular work, took all responsibility upon himself, practically retired from his law practice, and out of his own fortune anticipated all expenses for the great trial, until he had advanced over $70,000 of his own money, for which, however, he was afterwards reimbursed.

Nothing could account for a personal devotion like this except the fact that Mr. Shearman believed in Mr. Beecher. Dr. Hillis, in cataloguing Mr. Shearman's gifts, said: He had a strong intellect, great analytic skill, memory, sound judgment, fidelity to conviction, courage unyielding and all-conquering, frankness to friend and foe, moral earnestness, sympathy, enthusiasm, thoroughness, and a steadfastness that never was defeated. Although he had no diplomacy and little tact, he was great notwithstanding.

Mr. Rossiter W. Raymond, superintendent of Plymouth Sunday School, gave two side-glimpses of Mr. Shearman. One picture shows him on the way to a Plymouth Sunday School picnic, sitting on the deck of the steamer, himself childless, covered with children who hang on his shoulders and arms while he tells them fairy stories; the other, at a Coney Island outing of the little ones in which he took part.

There he lies on the sands while they cover him like flies, and when they want to wade in the water, and he is afraid to let them go in alone, the great lawyer, the friend of Henry Ward Beecher, the Political Economist, the Superintendent of Plymouth Sunday School, takes off his shoes and stockings, rolls up his trousers, and, clasping hands with a chain of merry boys and girls, wades out into the surf. Mr. Shearman's love for the children, and the children's love for him, tell the story of his real character.

According to Mr. Raymond, who was privileged to be the only layman intimately and constantly associated with the great

lawyers who defended Mr. Beecher, "All of these men gave their services at great pecuniary sacrifice, in aid of a righteous man unjustly accused." Neither Mr. Shearman, who did more than all the others, nor his partner, Mr. Sterling, who shared in the deprivation of his services at great sacrifice to their general business, would accept anything. To this testimony may be added that of an intimate co-worker: "His life taught a larger lesson, the lesson of constant and willing giving. I never knew a man who, on the whole, was so benevolent with his purse." In a life abounding with ceaseless benefactions, Mrs. Shearman, who survives him, is daily executing his will.

Stephen V. White, deacon of Plymouth Church, a leading broker and later a member of Congress, then associated "very, very largely and very, very closely in business and in consultation with Mr. Shearman for thirty years," bore this enthusiastic testimony:

> I consider his character and his career the most unique character and the most unique career of any man whom I ever knew, or of any man of whom I have read. . . . . By reason of his remarkable faculty for generalization and collaboration, he was enabled in a few months to become a walking digest of the decisions and statutes of the state of New York. In 1857 Mr. Shearman was appointed one of a committee to codify the statute laws of the State of New York. The chairman, David Dudley Field, "lion of the bar of the city and of the country," being too busy to give his personal attention to the work of the committee, arranged with Mr. Shearman to pay him $2,500 for what time he could spare without neglect of his own clients, and inside of a year a report was sent to the Legislature by this commission in a book of forms embracing 273 pages in which every stroke of the pen was made by this young man not eighteen months in the practice of the law. . . . . In eight years from that time he was a partner with David Dudley Field, with one-third interest in the immense business of that firm.

Of Mr. Field it has been said:

He was a giant, physically and intellectually. He never knew fear. He was not small in any respect. He resorted to no legal tricks for his success. The success of the firm of Field & Shearman was due as much to their correct knowledge of the code of procedure as to intimate or deep knowledge of the principles of the law itself. No firm in the city of New York was ever abused by bar or press as much as that of Field & Shearman. Most of the points, however, on which Mr. Field was at times severely criticized by his brother lawyers were, to the great credit of Mr. Field and Field & Shearman, subsequently sustained by the highest court in the state.

An eminent contemporary once wrote of Mr. Shearman:

I have always thought that he had the greatest intellect of any man of his generation at the bar, but it was Mr. Field who gave Mr. Shearman the opportunity to bring out all that was within him, and without such opportunity, which was exceptional, Mr. Shearman would never have been known except as an author. That, after all, gives more fame than any honor won at the bar, for books live after men die; and the reason why Mr. Field will be known when all the lawyers of his own and preceding generations in the United States are forgotten is because of the innovation he brought about by the introduction of his Codes, the object of forty years of diligent pursuit. In that respect he was like Justinian.

It speaks for itself that Mr. Shearman at thirty-five should have commended himself to intimate relations with a man who was the father of a world-wide reformed "common law procedure," who with one brother, Cyrus W., father of the Atlantic cable, and another, Stephen J., thirty-four years Chief Justice of the United States, formed the celebrated Field triad. His firm being at that time (1869) the attorneys for the Erie Railroad, its officers bargained with them to have Mr. Shearman come and sit in an anteroom of their office simply for consultation, at $25,000 for his year's salary. Succeeding the Black Friday, September 24 of the same year, various suits had been brought in the courts, involving more than $50,000,000. Shear-

man & Sterling,[1] who had succeeded to Field & Shearman, were retained to defend them, and the law and facts were decided as Mr. Shearman contended that they should be. . . . . Before he had been four years at the bar, in connection with Mr. Tillinghast, Mr. Shearman had printed and published a treatise on pleadings and practice in the state of New York, which was a work in two volumes, aggregating more than one thousand pages, and the second volume was entirely his own work. In connection with Mr. Redfield, a few years later he published an elementary treatise on the *Law of Negligence,* which has run through more editions, as we understand, than any other elementary work published in this country in this generation. . . . . Mr. Shearman would draw and execute contracts involving the largest amounts of property and money of any man that has stood at the American bar in this generation, and then come home to Brooklyn to this "prayer-meeting" and speak words of consolation to those who were afflicted and suffering; to take his place in the Sunday school and Sunday school teachers' meeting, to give kindly cheer to those with whom he came in contact.

Dr. Lyman Abbott, Beecher's successor in the Plymouth pulpit, said of Mr. Shearman:

He was by profession a lawyer; by temperament and nature he was a reformer. . . . . He watched the welfare of the poor and suffering, the outcast and the unfortunate, and he studied how to relieve them. This it was that made him interested in labor organizations, that made him a single-tax man, and a civic and municipal reformer. He gave a large measure of his life and brought all his energy to problems that touched the lives of others, and did not touch his own.

Edward M. Shepard said: "I declare of Thomas G. Shearman that few men of our land, or of our time, have nearly approached him in zeal for the rights of the plain people, as against the craft and strength of the more powerful."

[1] The Shearman & Sterling of today at 55 Wall Street, New York City.

Something of general interest to all real students, but especially to those of the law, is found in the critical analysis of a fellow-craftsman, a partner for some years previous to his connection with David Dudley Field, Mr. Amasa J. Redfield, who wrote of Mr. Shearman:

His mind was pervaded by "an original, intrinsic equity." . . . . If a particular judgment had wrought an injustice, he instinctively questioned or peremptorily denied its authority to control in any other cases, however eminent the court which pronounced it. As he conceived it, the aim of law is to accomplish the ends of justice, or, as put by Burke, "there are two, and only two, foundations of law — equity and utility." . . . . He was never dismayed by a multitude of cases bearing upon a given point of law, however various their particular facts, or apparently irreconcilable their several judgments with each other; he seemed to have an intuitive perception of the real principle at the bottom of the whole mass of adjudications, and brought it forth to the light, in a single comprehensive statement, marvelously brief and clear. At the same time, as I have had many opportunities of observing, his precise and logical habit of mind tended always to moderation of statement and the avoidance of excessive generalization. . . . . He had a faculty of instantly catching sight of an important point of any narrative or argument — or the absence of any — on each page of a book as he rapidly turned leaf after leaf. He seems to have had Macaulay's knack of never reading the lines of a printed page, but took in the whole of it at one sweep of the eye, from top to bottom, discovering at once whether it was worth a more careful perusal. . . . . In him the man was greater than the lawyer. His professional obligations were many and insistent, but such were the sincerity of his sympathy and his large view of things, that he never lacked the time nor the grace to step aside to help a friend,[1]

[1] In view of the foregoing tributes, the writer trusts that he does not violate the proprieties when he betrays an ambition to couple his name in ever so humble a way with that of a man whose life was so full of laudable accomplishments, by inserting here a quotation from the private correspondence of Mr. Shearman who had been speaker of the evening at four of the series of banquets then being given by the Massachusetts Single Tax League. On his last vacation he wrote from Geneva to a favorite

nor the will to devote his powers, without a suggestion of personal advantage, to the promotion of every civic and civilizing endeavor.

Mr. Shearman left an estate not far exceeding three hundred thousand dollars. It would have been much larger had it not been for the charity he was constantly dispensing. Although his business was domiciled in Wall Street, he was not a speculator. The size of his estate was not the result of real estate transactions but of his savings from income. It was not due to especially large fees. Those that he received were moderate. He did a great deal of professional work without any charge whatever, from sentiment for the unfortunate or as a charity. He had an exceedingly keen mind, and an exceptionally retentive memory, and to these two distinguishing qualities he was, to a most extraordinary degree, indebted for his success.

The foregoing will give the reader an outline picture of the type and caliber of a man who gave his best years and best efforts to present the principles and possible practice of the single tax, cleared of all economic entanglements, in such plain form that they can be intelligently studied by taxing authorities, economists, and all others who are interested. It is believed to be of educational value to present here his own delineation of taxation as a science, together with his predic-

Sunday-school pupil, now Mrs. C. J. Northrop: "In all times it has been the misfortune of reforms that some of their advocates have made it impossible for others to do any effective work for them for considerable periods.

" . . . At this time the professed friends of every reform in which I am much interested insist upon mixing it with retrograde movements or have adopted a policy of bitterness and vituperation or have thrown it entirely overboard. There is no one left, except Mr. Fillebrown, with whom I can co-operate. I have told him that I will do anything for and with him that a New Yorker can do for a Bostonian."

tion of what betterments it may be expected to work in the line of social welfare.

THE NATURAL TAX[1]

1. *Automatic taxation.* — Having seen that every form of indirect taxation is unjust to the poor, and that every form of so-called direct taxation thus far examined is unjust to the honest, we cannot be surprised at the unanimity with which it has hitherto been declared that there is no scientific or natural method of taxation.

Nevertheless, if we can find in actual operation, in every civilized country, a species of taxation which automatically collects from every citizen an amount almost exactly proportioned to the fair and full market value of the benefits which he derives from the government under which he lives and the society which surrounds him, may we not safely infer that this is natural taxation? And is not such taxation capable of being reduced to a science?

Such an automatic, irresistible, and universal system does exist. All over the world men pay to a superior authority a tribute, proportioned with wonderful exactness to these social advantages. Each man is compelled to do this, by the fact that other men surround him, eager to pay tribute in his place if he will not. The just amount of this tribute is determined by the competition of all his neighbors, who calculate to a dollar just how much the privilege is worth to them, and who will gladly take his place and pay in his stead. Every man must, therefore, pay as much as some other man will give for his place; and no man can be made to pay any more.

2. *Ground rent.* — This tribute is sometimes paid to the state, when it is called a tax; but it is far more often paid to private individuals, when it is called ground rent.

Where there is no government there is no ground rent. As government grows more complex and does more for society, ground rents increase. Any advantage possessed by one piece of land over another will, it is true, give rise to rent; but that rent cannot be collected without the aid of government; and no advantage in fertility is ever equal in value to the advantage of society and government. An acre of sand on the coast of New Jersey, at Atlantic City, Cape May, or Long Branch, is worth more rent

[1] *Natural Taxation,* Chap. IX.

than a million acres of fertile land five hundred miles distant from all human society. The sixteenth of an acre of bare rock in New York City is worth more than a thousand acres of the best farming land in Manitoba.

Ground rent, therefore, is the tribute which natural laws levy upon every occupant of land, as the market price of all the social as well as natural advantages appertaining to that land, including, necessarily, his just share of the cost of government.[1]

[1] The definition of rent here given is not inconsistent with the principles of Ricardo; although it is not expressed in his words. As Senior and other friends of Ricardo have remarked, he never took pains to express himself accurately; and he constantly assumed that his readers would remember every limitation which he had once laid down and would comprehend all that was implied in his mind. His definition of the law of Rent is a remarkable illustration of his peculiar methods.

No man could have been more fully aware than was Ricardo, of the enormous amount of rent which was collected in his own time from land which had no fertility and no productive power. Most of his life was spent upon just such land in London; and for the use of such land he paid and received great rents. Yet his famous definition assumes that rent is never paid for anything except "the use of the original and indestructible powers of the soil." And his exposition of the operation of this law is confined so strictly to the growth of "corn" (that is, wheat), that some of his disciples and many of his critics seriously assume that Ricardo did not suspect the existence of any law of rent, which was not governed entirely by the growth of "corn."

But Ricardo's methods, in this and in other instances, recall the style of the Ten Commandments. Taken literally, those commandments are as defective a code of morals as can be found in almost any ethical system. They do not in terms forbid the most brutal violence or recklessness, if death does not result, nor any form of fraud or swindling not amounting to literal theft. They do not forbid any form of outrage upon unmarried women. They do not forbid lying, except in judicial proceedings. They have not a word about malice, envy, hatred, bribery, betrayal of trust, or even treason. And yet both the Hebrew nation and the Christian church have always seen these prohibitions implied in the curt words which denounce merely a few of the worst and most striking forms of crime.

So it is with Ricardo. He took the most striking and easily understood illustration of a principle as his method of stating the principle itself. His writings always bear the marks of a genius, which was driven by its own internal energy to find relief in utterance, but which cared very little whether its utterances were understood or not. In this particular instance, he suggested a principle by a single illustration of the most familiar character. But the principle is not limited by the illustration. Any advantage which one piece of land has over another, for the use of man, was included, in Ricardo's mind, among the "original and indestructible powers of the soil." And foremost among these advantages stands that of affording standing ground, in the midst of a highly civilized society, under the protection of a highly organized and faithful government.

3. *The justice of ground rent.* — Now observe how perfectly this natural tribute meets all the requirements of abstract justice, with which our professor friends have so long wrestled in vain. Here is the exact *quid pro quo*. No sane man, in any ordinary society, pays too much rent. For he pays no more than some other man is willing to pay for the same privileges. He therefore pays no more than the market value of the advantage which he gains over other men by occupying that precise position on the earth. He gains a certain profit out of that position which he could not gain elsewhere. That fact is conclusive proof that this profit is not the fruit of his labor, but comes out of some superior fertility in the soil, some superior opportunity for selling the fruits of his labor, some superior protection from government in the enjoyment of those fruits, or some other advantage of mere position. Thus he receives full value in exchange for his payment. *He* receives it, not merely society in general. He receives the *whole* of it; he is not compelled to divide a dollar's worth of this benefit with his neighbors. But, on the other hand, he pays the full value of what he thus receives, and he owes nothing more to anybody. The transaction is closed upon fair and equal terms.

Here, then, is a tax, just, equal, full, fair, paid for full value received, returning full value for the payment, meeting all the requirements of that ideal tax which professors and practical men alike have declared to be an impossibility. It is not merely a tax which justice *allows* — it is one which justice *demands*. It is not merely one which *ought* to be collected — it is one which infallibly will be and *is* collected. It is not merely one which the State *ought* to see collected — it is one which, in the long run, the State *cannot prevent* from being collected. The State can change the particular landlord — it cannot abolish rent.

4. *Landlords natural tax-gatherers.* — It is quite true that some men do not pay ground rent to anyone else. But these are landlords of the mostly highly developed type. A few of these men seem, at first glance, neither to pay nor receive ground rent. But this is an illusion. They do receive such rent, in the value which remains in their possession in excess of what they would hold if they paid rent like other people. Moreover, such men almost invariably have either paid a price for the land on which they live (which is capitalized rent paid by them), or they hold land which cost them less than they could sell it for (which

is capitalized rent gained by them), or they have done both.

Those who actually receive ground rent, or who could receive it if they would, form the class which we call "landlords." They are the tax-gatherers appointed by Nature. Year by year they assess the value of the privilege of occupying their land. They can do this, with an accuracy to which no government assessor can ever attain, because they receive, at least once a year, the best possible information as to this value, in the form of bids from tenants. They have only to announce their willingness to receive bids, and the bids come in. Nobody runs after the assessor to tell him what property is worth. Everybody runs after the landlord to tell him what his land is worth. Not that everybody tells him the truth; but he soon finds out what is the truth, by comparing conflicting statements. The landlord, we repeat, is Nature's elected tax-gatherer. But Nature does not compel him, any more than any other collector of taxes, to pay over to the State what he collects. This must be done by the State itself.

5. *Taxation of ground rents.* — Nature, having thus provided a method by which all men pay, of necessity, a tribute sufficient to defray all expenses of government, clearly points to the collection of such expenses from this tribute. We have already seen that Nature and Science condemn every other method of raising public revenue, by making equality and justice impossible under any such method. Do they not, with equal clearness and precision, point to the taxation of ground rents, as not merely a just method of raising revenue, but also as the *only* just one? Scientifically speaking, a tax upon ground rents is not a tax at all: it is merely the collection by the State of a tax already levied by an automatic process. If we call it a tax, it is a tax upon the proceeds of taxation, and nothing else. Until this source of revenue is exhausted, every other tax is double taxation. So long as this fund remains, every other tax is, of necessity, unjust, as truly as it would be unjust to squander the proceeds of any tax among a few favored officials and then levy the whole of the same tax over again upon the people. Seldom has there been a more beautiful illustration of the wise yet relentless working of natural law than in the proved impossibility of justly collecting any tax other than upon ground rent. It shows that Nature makes it impossible to execute justly a statute which is in its nature unjust. The propriety of an exclusive tax upon ground rents is established, not merely by affirmative proof of its

justice, but by the demonstration of universal experience that no other form of taxation can be made effective, adequate, just, and equal.

6. *No objectionable methods of collection.* — The absolute soundness of the theory upon which the tax on ground rents is based is further established by the fact that its efficient collection requires no objectionable methods. Such a tax already exists in the United States, although it is covered up by a multitude of other taxes. We all know, by experience, that such a tax is entirely free from the oppressive and corrupting incidents of other taxes. It calls for no personal returns, no taxpayers' oaths, no exposure of private affairs. The collector of such a tax would not have the slightest excuse for inquisitorial proceedings, for the examination of private books, for entry into houses, for personal searches, or for asking a single question of the taxpayer. In fact, he would not pay the smallest attention to any statement which a taxpayer might make. Women and children would be taxed no more heavily than men. Trust estates would pay no more than others. There would be no exemptions, no favoritism, and no preference given, either to the rich or to the poor. Mistakes, of course, would occur, and the bribery of assessors would be possible. But those are an extremely small part of the evils of all existing methods of taxation; and some of the most monstrous inequalities are found where the assessors are absolutely incorruptible and thoroughly competent. All of these would disappear.

7. *Assessment of ground rent practicable.* — It is asserted by a few persons, who have given no careful consideration to the subject, that it is as difficult to assess accurately the value of the bare land as it is to assess any other property. This objection will not bear the least examination.

Of course, *absolute* accuracy is not to be expected in anything. It has not pleased God to make this world literally perfect, in any respect; and man cannot hope to be wiser than his Maker. But a close approach to accuracy is possible in taxing ground rents, and it is not possible in any other tax.

Where land is rented separately from its improvements, the tax can be collected with almost ideal accuracy. The tenant can be required to pay it, being allowed to deduct it from his rent. He will have no motive for understating the rent, and if he overstates it the loss will be his own. Nothing but positive fraud

on the part of the official assessor can produce inequality in this tax, and such fraud would be too dangerous to be common.

Where land and improvements are rented together, the value of the land alone is always approximately ascertainable. Real estate dealers in the district would have little difficulty in estimating the price at which any tract of land could readily be sold, and this would be the proper basis for assessment.

Where land is owned by the actual occupier, dealers can still easily estimate its market value. Titles to town lots are continually changing, thus fixing a standard of prices; while in rural districts there is much less variation in prices, and all the neighbors know the relative value of each farm. Whatever inequalities might remain, it is certain that they would be vastly less than those which are now common.

8. *Assessment of farm land.*—It has been asked: How can the unimproved value of farm lands be ascertained after they have been cleared, plowed, drained, and fertilized for many years? The answer is simple. The whole of a farm is to be assessed at the same value per acre which attaches to the unimproved land remaining on the farm and having substantially the same natural advantages or disadvantages. It is next asked: How shall such an estimate be made if the whole farm has been fully cultivated? There is no such farm, except a few very small ones, selected from larger farms; and in those cases the valuation can be made upon the basis of unimproved land on adjoining farms. It has been pretended that there are cases in which there is no unimproved land near by. But this is almost absurd. Yet if such a marvelous farm could be found, it is certain to be close to a highway. The price which could be obtained for the land covered by the highway, if closed and sold, would afford a perfect test of the value of all adjoining land.

But the best reply to all such objections is to be found in the practical experience of California, where this very method of assessment is carried out in agricultural districts, without difficulty, having been required by law ever since 1879, and by the experience of Massachusetts, where the value of farm lands has been ascertained by the decennial census, for many years, carefully separating the value of improved lands from unimproved and unimprovable lands.

9. *Judicial correction of assessments.*—Under the present systems of taxation it has been found necessary to allow appeals

to the courts from some unjust assessments; while state boards of equalization in New York, Illinois, California, and other states put county valuations up or down, in order to remedy the evils caused by local carelessness or evasion. These remedies should be extended and placed upon a foundation of complete justice. The courts should be given full power to make local assessments uniform, reducing every assessment to the basis of the lowest in the county. The county would lose no revenue, for the tax rate would be increased to correspond with the general reduction. But citizens would be relieved from the gross injustice which many now suffer. At present, in New York, if not everywhere, a taxpayer can obtain no relief unless his own property is overvalued. But an undervaluation of his neighbor's is just as effectual an increase of his share of the general burden as would be an overvaluation of his own property. It would cast an offensive responsibility upon him, to give him relief only through a judgment increasing his neighbors' assessments; and such a course would produce no better result for the county than would a general reduction to one common basis. The State at large would take care of its interest in the matter, through the board of equalization.

10. *Correction by sales.* — If all other remedies failed, one would remain, which is far too dangerous for use under existing methods, but which would be quite safe under the new system. The owner of any real estate which was assessed for more than the real value of the bare land, could refuse to pay the tax. Then his land would be offered for sale to the highest bidder, subject to the obligation of paying to the owner the appraised value of all improvements thereon, upon the principles already stated. The value could never be more than the cost of replacing the improvements, and it would often be much less, because costly buildings are frequently erected in situations where they are or become useless, and therefore of no value. To the full extent of their actual market value, however, the purchaser at a tax sale would be required to indemnify the owner. Such a sale would determine the precise value of the land for the purposes of taxation.

Nor would such sales, however frequent they might be, work any hardship to the landowner. He would have a right to bid; and he would have great advantages over any other bidder. All the money paid in excess of the tax and the penalty would go directly into his pocket; and therefore he would be the only bidder not required to pay more than that sum. If the tax were

really excessive, no one would bid up to it, because the purchaser would be compelled to pay annually thereafter as large a tax as he was willing to bid at the sale. The tax sale, in short, would fix the valuation upon which future assessments would be made. Thus the ground rent (which, capitalized, constitutes the only value of any land) would be fully taxed; while the landowner would have absolute security for the possession of the value of all his improvements, free of tax. But no such experiment would ever become really necessary.

11. *Taxation of franchises and monopolies.* — It has been already mentioned that the professed defenders of farmers and other owners of small homesteads oppose the concentration of taxation upon ground rents, on the plea that this would exempt all franchises and monopolies, including railways, express companies, telegraphs, telephones, gas works, electric lighting works, oil-pipe lines, and the like. If this were the fact, we may be sure that the shrewd managers of such monopolies, assisted as they are by the most sagacious and experienced advisers in the country, would have discovered it by this time. We may also be sure that the legislatures of two-thirds of the states, owned as they are, body and soul, by corporations of this precise class, would hasten to avow their conversion to the principle of taxing ground rents and to embody it in their statutes. The Senate of the United States would before now have passed any necessary amendment to the Constitution, by a two-thirds vote.

But do we see the slightest tendency in this direction? Is the proposal received with favor by the managers of a single great railway or telegraph or of any great monopoly? On the contrary, is it not notorious that they are unanimously and bitterly opposed to it?

These gentlemen are not deceived. They know well enough that their valuable franchises represent exclusive rights to the use of land, and that they neither have nor can have any exclusive rights to anything else, except to patent rights, which are very costly and which last only for a few years.

12. *Railway franchises.* — Take one of our great railway lines, for example. Add up either the market value or the cost of replacing its rails, equipment, building improvements, and chattels of every kind, whether movable or immovable, and at a most liberal valuation. The total will not come within millions of its nominal debt, and will never touch its capital stock. What

gives value to the enormous amount of stock? The exclusive privilege of using a narrow strip of barren land, five hundred, a thousand, or two thousand miles long, unbroken by highways or any other rights over land, whether public or private. Under the present system railway managers persuade local assessors that this land should be valued no higher than equally barren land in adjoining farms, and the farmers' especial advocates insist that this is the true basis of valuation. But it is absurd.

The value of all land depends upon the value of the use which can be made of it. No farmer can use his land for the carriage of goods or passengers beyond the limits of his own farm. If all the farmers between New York and San Francisco agreed to build a railway, without forming a railway corporation, they would be compelled to break their line at every highway, to dismount their passengers and to unload their freight. Therefore, nobody outside of a railway company can use his land for this most valuable purpose. And this privilege of using an unbroken strip of land, with locomotives running forty miles an hour, is all which gives to the stock of any American railway company its market value; while it generally covers from one-third to one-half of its bonds, in addition.

The notion that such privileges on land are to be appraised by the acre, like farm lands, can be readily tested by applying the same principle to any other land. In great cities land is often sold at a price estimated by the square foot. Some lots, containing 2,000 square feet, are salable for $200,000, or $100 per foot. But if a single foot of this land were sold by itself, with the knowledge that no more could be had, who would give even one dollar for it, except as a means of blackmailing the owner of the rest? Just so, the value of a strip of land unbroken for a thousand miles, for use as a railway, is something immense; while the same land cut up in a thousand sections, never to be united, would be almost valueless. For purposes of transportation it would have no value whatever.

Again, the value of land depends upon the variety of uses to which it may lawfully be put. Steam railways, although very useful, are to some extent a nuisance. The government cannot permit them to be operated upon every tract of land. Consequently, land owned by individuals is generally restricted to other uses, and it is therefore worth less than land owned by railway companies.

13. *Other franchises.* — The franchise of a telegraph company is of the same nature. It is absolutely nothing but an exclusive privilege to extend its wires over land. But this is a privilege of enormous value. The founders of the Western Union Telegraph Company have managed to sell this privilege to investors in its stock, for at least $50,000,000.

The franchises of gas companies, electric light companies, steam heating companies, water works, and the like, consist so obviously of mere privileges to use unimproved land as to need no explanation. Street railroads, also, so palpably own no privileges, other than the mere right to run over bare land, that it seems almost an insult to the understanding of any reader to explain the case. None of these corporations have any other franchises than these rights over land. For these franchises most of them have paid enormous bribes to legislators and aldermen. Upon these franchises they have issued vast amounts of stock and bonds. One such corporation, after purchasing all the rails, equipment, and other productions of human labor connected with the road, for about $200,000, proceeded to issue $8,000,000 of stocks and bonds upon its land privileges.

It will be said that there are general railway laws, so that anybody can construct a new rival line, and thus destroy the land values of an existing line. Whenever that can really be done, the truth of this theory is promptly proved, by the destruction of stock values in both corporations, as in the desperate struggle between the New York Central and the West Shore lines, in 1884. But this is only partially true. A rival line must run through towns and very near cities, or it can get little business. The aldermen of every city must be bought up; and as the old corporation will pay liberal bribes to induce the aldermen to do nothing, the new one must bring far more liberal considerations to bear upon our patriotic rulers. Nor is it merely a question of money. Bribery must be conducted decently and in order. Public sentiment must be judiciously worked up to support the scheme. It requires an immense amount of ingenious and well-directed effort to carry any such project into effect.

In the case of street railroads, telegraphic subways, gas works, and other privileges in cities, it is obvious that the limit is soon reached, and even the liberality of a legislature or a board of aldermen cannot make room for many rival schemes of this kind. The streets cannot be torn up forever, although in New York and

Brooklyn they do not fall much short of this. The limits imposed by Nature are such that more than three-fourths of the whole market values of the stock and bonds of corporations having these municipal privileges consist of pure land values.

Under the present system, in most cases, all these enormous values go untaxed. The law of New York distinctly exempts franchises from taxation, although it is well settled that they would be taxable as "land" but for this legislative interference. Under the system here proposed all these values would be fairly taxed.

14. *Can the rent tax be shifted?*—While the Duke of Argyll and all his landlord allies rend the air with their denunciations of the proposed tax on rent, as confiscation and robbery, other opponents of the tax, appreciating the fact that tenants far outnumber landlords at the polls, devote their energy to proving that this tax would all be shifted upon tenants, by an increase of rent, so that landlords would finally pay none of it. If this were true, then no relief from the unequal distribution of wealth can be had, for all direct taxes would ultimately fall upon consumption, just as surely as do indirect taxes. In short, *no* tax would be really direct. The greatest benefit thus far held out, as the result of adopting an exclusive tax upon ground rent, would be unattainable under that or any other system.

On the other hand, if this doctrine is true, the indignation of the Duke of Argyll and all the great landlords of Great Britain and Ireland is absurdly misdirected. If they can recover this tax from their tenants, precisely as the importer of foreign goods recovers customs taxes from the purchasers of those goods, they will lose nothing by the change, and may even profit by it. It is very clear that the landlords do not believe a word of this doctrine of shifting taxation; for if they did they would look with indifference, if not with positive favor, upon the taxation of ground rents. So far from doing this, dukes, earls, and marquises are eagerly struggling in England for election as councilmen and aldermen, for the sole purpose of preventing the taxation of ground rents.

The weight of authority upon such a question is worthy of attention, although by no mean decisive. Now, while a few respectable and sincere students of economic science hold to the doctrine of the transferability of the ground-rent tax to the tenants, no one will dispute that an overwhelming weight of

authority, both in numbers and in reputation, scout that doctrine as absurd. Not only the entire school of Ricardo and Mill, but also nine-tenths or more of other economic writers, make it a fundamental doctrine of their science that such a tax never can be transferred to tenants.

15. *The question illustrated.* — Let us, however, consider the question for ourselves, as if it were entirely new. The simplest way of testing it is to imagine that the tax was made heavy enough to absorb the whole rent. For, although this is impossible, it really makes no difference whether half or the whole of rent is taken by taxation, so long as the State is determined to take some fixed proportion of rent. Any good accountant can satisfy himself that the result would be the same under either plan. But persons unaccustomed to figures could not follow any other calculation so easily as they can follow one based upon a tax equal to the whole rent.

Let us then suppose the "single tax unlimited" to be in operation. Let us suppose the total ground rent of the United States to be $1,000,000,000. The total production of the nation does not exceed $13,000,000,000 per annum. Out of this, 65,000,000 people have to draw their living expenses. Even if they had no ground rent and no taxes to pay, they could not possibly save $5,000,000,000 a year. But suppose they could. The landlords collect in rent $1,000,000,000. The government takes the whole of this in taxes. The landlords then shift the tax upon the tenants, and insist upon collecting $2,000,000,000 in rent. But the government next year taxes the whole of this increased sum out of the landlords. The landlords then raise their rent to $3,000,000,000. But the government immediately takes the whole of that in taxes. The landlords raise their rent to $4,000,000,000. The government again takes it all. They raise rent once more to $5,000,000,000. Again it is all swallowed up in taxes. Will the landlords raise their rent again? How can they? They would by that time have taken every dollar that tenants earned, over the barest living; and if they attempted to extort another dollar, some tenant would die of starvation; and rents would fall, from lack of tenants. And as the government would have extracted the whole of their rent, they would have gained not a dollar by their persistent oppression of their tenants.

16. *Distinction between land and houses.* — It will be said

that nothing of this kind could really be done by any government. Quite true; but that is simply because nothing of the kind could be done by landlords. Landlords know, to their cost, that it takes three or four years to enable them to recover from tenants even increased taxation upon *houses*, although they will recover it in the end. But, since it is difficult to recover a tax which tends to diminish the number of houses, how vastly more difficult must it be to recover a tax upon the value of land, which has no tendency whatever to diminish the amount of available land.

And here the reader can see the reason for the distinction. If owners of houses cannot recover from tenants the tax upon houses, nobody will build any more houses for renting. But the owner of land cannot create any more land, no matter how liberally he may be paid for it; and he cannot diminish the area of land, no matter how little he may receive for it. Every increase of taxation upon ground rents makes it more difficult to keep land out of use, and therefore it increases the competition between landlords to get tenants. Under a light tax upon ground rents, two tenants pursue one landlord. But under a heavy tax, two landlords pursue one tenant. If ground rents should be taxed even to half their amount, landlords without tenants would be compelled to sell at any price to other landlords who could get tenants. The tendency of all taxes upon ground rents, therefore, is to reduce rent, rather than to increase it; and this makes the very idea of a transfer of such taxes to the tenant utterly absurd.

A moment's reflection will satisfy everyone that landlords charge just as much for their land as they can possibly get, except in special cases of good nature, charity, or ignorance.[1] In all ordinary cases the only reason why they do not charge more is that they cannot find anybody able and willing to pay more. How can this condition be changed by taxes upon rent? It is not and it cannot be. The average landlord will charge the highest rent which he can get, tax or no tax. And, as no man will ever get

[1] This is universally true in the United States. In many parts of Europe, especially in England, agricultural rents are limited by custom and public opinion. In Ireland, they are often limited by law. But all that results from such restrictions is that rent is divided between two or more landlords. The mass of the people, who are the real, final tenants, gain nothing whatever. The farm-tenant either sublets the farm at a higher rent, or he makes a larger profit out of the farm, without selling his produce any cheaper or paying a penny more wages to his laborers.

more than he *can* get, no amount of tax upon ground rents will ever be shifted over to tenants by an increase of rents.

17. *Amount of the tax on rent.* — It does not follow that the State should compel the landlord to pay over all that he receives. If the State could and should do this, the landlord would cease to do his work, because he would receive no compensation for it. Natural laws again settle this question, by making such exact collection impossible. Not all the power of all governments, concentrated upon the landlords of a single town, could extract from them *precisely* 100 per cent of the rent received by them.

Nor does it follow that even 90 per cent of rent ought to be taken. Where rents are large, the retention of 10 or even 5 per cent might be sufficient to induce landlords to follow up tenants and extract from them that just rent which everyone ought to pay. Where rents are small, a commission of 10 or even 15 per cent may be insufficient for this purpose. An iron rule is not a natural rule; and it will not work well.

What would Nature or Science dictate upon this point? Is it not that the State should collect from the natural tax collectors whatever amount the State really needs, for the effective but economical administration of government? Is it not better, in case there should remain any considerable excess over this, that it should remain in private hands, rather than it should be taken by the State, before the State officers know how to use it for the real benefit of the people at large? Grant, if you please, that there would be such surplus of rent as to breed wasteful luxury among landlords, is not this less injurious to the community than wholesale waste and embezzlement of public funds? Our whole national history illustrates the truth that surplus public revenues first corrupt public officers and then debauch the nation itself.

But in fact, in the long run, there will be no such question to decide. The honest needs of public government grow faster than population and fully as fast as wealth itself. Local taxation will increase rapidly; and it ought to do so. Such taxation increased in Ohio, for example, 1,400 per cent in forty years, between 1846 and 1886; while population increased only 100 per cent, and wealth 1,000 per cent. It is more likely that vigilance will be needed to prevent the taxation of rent from rising too fast, than that it would be required to keep landlords from retaining too much. This does not imply that ground rent will not

be sufficient to supply many, possibly all, of those additions to human happiness which Henry George has pictured in such glowing words. But such extensions of the sphere of government must take place gradually; or they will be ruinous failures, simply because the State cannot at once furnish the necessary machinery for their successful operation.

This natural tax might be adopted in one day, not only without injury to the nation, but with positive benefit to more than nine-tenths of all the people. But this would be strictly upon condition that the amount collected for public use should not at first exceed that which was previously collected. Indeed, it would be essential to the permanence of such taxation that public revenues should be at the beginning of the new system even smaller than they were immediately before. And we may be perfectly sure that they would be. A body of 4,000,000 taxpayers will take care of that.

18. *New benefits shared with landlords.*—There is, nevertheless, a certain element of truth underlying the idea that a rent-tax can be shifted. While it is not true that one dollar of the tax can be transferred to the tenant, in any case where rent is fixed upon strictly business principles, it is true that, in many places, and especially in rural districts of England, the owners of farm lands do not charge the full market value of the land to their tenants. Personal considerations, kindness of feeling, custom, long-continued relations between the families of the landlord and the tenant, public opinion, tradition, the desire to control votes, and many similar influences keep rents below their market value. Under a system of taxation, concentrated upon rents, these influences would lose much of their power. Under a tax, deliberately raised to the highest practicable point, these influences would lose *all* of their power. Tenants would, therefore, find their rents increased to the full value of the land. Here would seem to be a real shifting of the tax.

But this would be only a seeming, not a reality. The tenants, who now receive the benefit of those influences, are in reality themselves landlords, to that extent. They divide economic rent with their landlords. They do not divide the rent, thus left in their pockets, with the community at large. They do not reduce the prices of their products or charge any less for their services. Many of them sublet a part of the land to others, to whom they charge the full market price. The community, as a

whole, pays just as much rent, when the duke allows the farmer to occupy land at 20 per cent below its full value, as it does when the duke's creditors seize his land and make the farmer pay the last penny that the land is worth. The farmer sells wheat at the same price and pays to his laborers the same wages, in either case. But there is a good deal of difference in the style of his daughters' dresses and the length of his annual vacation.

There is another result which must follow, if the community gains in wealth and happiness, through this change in methods of taxation. Every advance in prosperity — every widespread increase in wealth, tends to increase rent. If it is true, as will be presently maintained, that this reform in taxation will stimulate production, increase wages, promote the development of industry, add to the profits of capital and reward the efforts of skill, then there will be a greatly increased demand for the locations which offer the best natural opportunities for the use of capital, labor and skill; and ground rents will rise. But this is not the shifting of an old burden; it is the sharing of a new benefit.

SOCIAL EFFECTS OF NATURAL TAXATION[1]

1. *The effect in general.* — The adoption of a natural, intelligent, and scientific system of taxation would bring about a just distribution of wealth, would give a perpetual stimulus to industry and production, would greatly increase wages, would increase the profits of capital, would give a security to property now unknown, would encourage manufactures, commerce, and agriculture, and would incidentally solve many social problems which under present conditions seem almost insoluble.

It is hoped that as each branch of the inquiry has been discussed, it has appeared that each step towards this great but simple reform has been attended with the solution of some difficult problem. But others have been reserved for this final review.

2. *Stimulus to production.* — It must surely be evident, without argument, that when all taxes are concentrated upon ground rents alone, and when every piece of land is estimated for assessment at the amount for which it could be rented for present use, the tax constantly increasing, in exact proportion to any increase in the rental value of the land, it would generally be impossible to hold any land out of use for the purpose of

[1] *Natural Taxation,* Chap. XIII.

speculation. The only exception would be cases in which it was so clearly desirable that the land should be preserved for future use, that its possessor could better afford to pay the tax out of his capital than to allow the land to be put to any present use which would spoil it for a more desirable future use. The pressure put upon the landowner to make immediate and beneficial use of the land would, in most cases, be irresistible. The result, in all but a few exceptional cases, would be that all land, which anyone cared to claim as owner, would be put into immediate use for productive purposes; while a vast amount of land which is now held for pure speculation, would be abandoned to the use of anyone who was willing to pay the annual tax.

Under such a system all land would be made useful, up to its full capacity. The possession of land would necessitate the constant employment of labor in its use and development; and all who were unable or unwilling to use land to the best advantage of the community would abandon it to those who were both able and willing.

But this is only one of the many stimulants to production which are involved in reformed taxation. Think of the many other encouragements which industry would receive. Money and credit, free from all taxes, would crowd into the industrial field. Factories, mills, furnaces, foundries, workshops, stores, offices, machinery, tools, instruments of production in every conceivable form, would all be free from taxes. The farmers' barns, crops, plows, tools and implements, his horses, cattle, sheep, materials and products of every kind, would be free of tax. His land could be drained, stubbed, subsoiled and improved to the highest point, without adding a dollar to his taxes. Commerce would be free as air. The farmer would buy in the cheapest market, and sell in the dearest. Monopoly could no longer hinder production. The only limit of production would be the limit of demand.

3. *Effect on wages.* — Using the term "wages" as including all forms of compensation for personal labor, it should seem clear that the great increase in production which would thus be brought about must greatly increase the demand for labor, and would therefore produce a general and permanent advance in wages.

Nominal wages, expressed in terms of money, must advance, because there would be an anxious demand for labor on the part

of all landowners. For without a constant supply of efficient labor, the annual tax could not be paid; and then the land would fall into the hands of those who would extract from the land, either by their own labor or by the labor of others, a revenue sufficient to pay the tax, with a profit. The increased demand for labor thus arising would, in any country large enough to make a rate of its own, largely increase the general rate of wages. That this is the invariable result, in all similar cases, has been abundantly proved by past experience. The opening of new land to labor has always tended to increase wages; and under the proposed system of taxation there would be an enormous increase in the new land thus opened to labor, and therefore a corresponding increase in the reward of labor. The effect upon wages would be precisely that which would be produced by the discovery of a new continent of fertile and healthy land.

Real wages (in other words, the real reward of labor) would be increased to a much greater extent than *nominal* wages. For while wages, expressed in forms of money, must rise, as already shown, prices of the good things which wages buy would fall, on account of the much greater production of such things, which would result from the immensely greater application of labor and capital to land. More than this, it having been already shown that the bulk of taxation is now borne by the wage-earners, and that the whole of this taxation would be taken off their shoulders by the new system, their *real* income would be practically increased by the full amount of this reduction of taxation; the effect of which they would feel in a general reduction of the cost of living.

4. *Effect on money wages.* — The advance in money wages must, of necessity, be rather vaguely estimated. But long experience has furnished abundant means for trustworthy calculations. It is not at all necessary that there should be a demand for double the number of laborers, to double the rate of wages. A much smaller increase in the demand will suffice, so long as the supply of labor does not meet the demand.

It having been shown that the taxation of ground rents would compel their owners to employ labor in producing something out of which taxes could be paid while the release of the great purchasing class from heavy taxation would enlarge their purchasing power, it follows that an immediate demand for labor would arise, in excess of the local supply. The degree to which

wages would rise, in consequence of this demand, would largely depend upon the extent of the field over which the new system of taxation was in force. The adoption of just taxation in a single county, or even in an entire State, would cause a great increase of production there; but wages would be kept down, to a considerable degree, by the incoming of laborers from outside.

5. *Immigration and wages.* — But the adoption of just taxation, throughout the United States, would cause a rise in wages far too great to be repressed by foreign immigration. Laborers of all kinds have never yet come to America in any one year, to the extent of even one-twentieth part of the home supply. As the new arrivals furnish a market for nearly all that they earn, they do not, at the utmost, furnish an element of competition with native laborers in excess of one-half of their earnings.[1] If, therefore, the average rate of American wages could be doubled, by causes having a permanent operation, immigration might continue at full tide for many years, before it could seriously affect wages. The truth of this theory may be illustrated by the case of domestic servants. From various causes their average wages in the United States have much more than doubled since 1860. Those who then received $6 a month could now readily earn $14, while living in much greater comfort and having much easier work. The immigration of women of this class has been enormous; but it has never reduced wages. It may well be doubted whether it has even had any material influence in preventing a further advance. All the great advance in the wages of domestic servants has occurred since they began to arrive in great numbers.

We may safely assume that any rise in wages which would result from a reform in taxation, extending over the whole or the larger portion of the United States, would be permanent, notwithstanding any probable amount of immigration.

6. *Amount of rise in wages.* — As the purchasing power of laborers would be increased at least 15 per cent from the instant at which taxes were taken off their purchases, an increase of demand to that extent may be assumed as certain, subject to

[1] Thus, suppose 800,000 immigrants to arrive in one year, less than half of them would be competitors for wages. Suppose the 400,000 competing laborers to earn $400 each. They would spend $350 of this. Half of this would be paid in wages to other laborers, producing what the newcomers wanted. Even if the other half injuriously affected resident laborers, it would amount to less than one cent in each dollar of their annual wages.

such reduction of demand as might be caused by the reduced profits of the not more than 50,000 families who would suffer any loss of income through the new taxation. As their losses would not trench upon their usual fund for expenditure, their purchases would fall off only to a very moderate degree. An allowance of $3,000 for each of these families would be ample. This would amount in all to $150,000,000, or not more than one-tenth of the increase in the purchasing power of the other classes. After making large allowance for a saving disposition among the poorer classes, under their new prosperity, it is impossible to estimate the increase in purchases at less than 10 per cent, or $1,000,000,000 per annum. It would probably be much more.

On the other hand, the anxiety of landowners to put their land to profitable use, the absolute release of all productive industry from burden, shackles, and restrictions, the untaxed money, untaxed manufactures, untaxed commerce, untaxed agriculture and untaxed credit would all combine to give a sudden and tremendous stimulus to industry. Production, for these reasons alone, could not fail to increase immensely. Adding this consideration to the other, the effective demand for labor could not fail to increase by more than one-third; and this would cause a rise in wages of fully 100 per cent.

7. *Effect on capital.* — The owners of capital will naturally desire to know how their interests will be affected. Will not the doubling of wages diminish the profit of capital? No. On the contrary it will greatly increase that profit.

In the first place, it must be remembered that ground rents are *not* capital. Correctly speaking, they are not even true wealth. They are mere taxes upon wealth — instruments by which tribute can be exacted from wealth. We are now considering only genuine capital — true wealth, employed in the reproduction of wealth.

In the next place, capital necessarily depends for its profit upon a large demand for its productions. Modern capitalists are fully aware that great gains can never come from small transactions, no matter how large the profit on each transaction may be. Sales of $1,000,000 at a profit of 50 per cent are of small account, compared with sales of $100,000,000 at a profit of 5 per cent. The number of those who live without their own labor is and must be always and everywhere so small, compared with the vast mass of mankind, as to afford an insignificant market for

the enormous production of modern industry. The vast majority, who labor with their own hands, furnish the only market worthy of consideration for modern capital.

This great majority always spend the larger part of their earnings; and they would continue to do so, even if their earnings were doubled or trebled. The doubling of their wages means, therefore, the doubling of the market for the joint production of labor and capital. It means the doubling of the gross profit of capital. This would not be true of a similar increase of income to any other class. The owners of rent would not double their purchases, if rent were doubled. They would put much of their surplus into capital, competing with capital already invested. This might be good for others than capitalists. Yet, unless it brought about an increase of wages, it would not increase the demand for goods; and so it would not increase the profit of capital. An increase of wealth, in the hands of the few, leads to increased wastefulness in the nature of their expenditures. Their outlay does not reproduce capital. The outlay of the working classes does. Not only does their food renew their vigor, but even their amusements, when intelligently directed, greatly increase their productive power and energy. High wages lead not only to cheap production, but also to a vast increase of production. They also lead immediately to a corresponding increase of the market for such productions.

There is no conflict of interest between labor and capital, although there are many conflicts of interest between individual laborers and individual capitalists. The lifting of all taxation from labor and capital will benefit both.

8. *Absolute security of property.* — When taxation is levied exclusively upon ground rent every man will have, for the first time in human history, an absolute and indefeasible title to all of his property which is the production of human skill and industry, subject only to the right of the State to take it, upon making full compensation for its value. Such compensation would enable the owner to replace the property thus taken with other property of the same description and value. This general right of the State is practically no limitation upon the absolute right to individual property.

It is perfectly plain that no one has any such right at present, and that no one can have it, under any existing system of taxation. For, so long as the State assumes the right to tax anything be-

sides rent, it is impossible for any man to retain the entire fruits of his own industry. Every year the State will deduct something from those fruits, under the name of taxation; and no one can ever foresee precisely how much will be taken in this manner. The fluctuations, both in the amounts and methods of such taxes, are so great and incalculable that no one can have any reasonable certainty as to the extent to which his earnings will be secure against the demands of the State.

But if taxes were once confined strictly to ground rent, all this would be changed. Chattels of every description would of course be absolutely secure; since the only remedy which would be allowed to the State for the collection of taxes would be a sale of some exclusive privilege on land. But buildings and all other improvements on land would be equally secure against all taking *without compensation.* This is not at first sight so clear; and it needs, therefore, fuller explanation.

9. *Improvements paid for on tax sales.*—The exclusive tax upon ground rent would lose its entire character if the State were allowed, under any pretense, to collect it from personal property or improvements. It is a fundamental condition of such a tax that it be collected *only out of rent.* It must, therefore, when payment is refused, be collected only by selling the control of the taxed land to some person, who will not only pay the tax, but will also pay to the landholder thus sold out the full value of all his improvements. If no one will pay the tax, subject to those conditions, that is conclusive proof that the tax is too high, and that it is in reality based upon an assessment including other values than the mere value of the land. The purchaser in such case would, of course, take the land, subject to the annual liability for taxes; but he would also acquire the same absolute title to improvements which the previous possessor had; so that he, in turn, could not be sold out for taxes without full compensation for improvements. Thus no one would ever pay taxes upon the value of any other property than the bare land.

Universal experience has demonstrated that there would not be the slightest difficulty in carrying such a system into practical operation. This system has long been in operation, upon a great scale, both in public and private affairs. Wherever ferry franchises belong to a municipality, as in the city of New York, such franchises are sold at auction, at intervals of five or ten years, always subject to two conditions: first, the payment of rent to

the municipality; and second, the payment of full compensation to the former holder of the franchises, for boats, piers, houses, and all other structures and materials used in operating the ferry. Street railway franchises are sold in the same manner, for terms of years, by every *honest* municipal body having control of the subject.[1] So landlords constantly lease their land for terms of years, to men who erect expensive buildings thereon; the landlords covenanting to pay the value of such improvements upon the expiration of the lease. There is no more difficulty in providing for an annual sale of land, if necessary, subject to these conditions, than there is in providing for a sale in every five, ten, or twenty years. A ferry franchise is just as much a title to "land," within the meaning of law, science and common sense, as is any other land title whatever.[2]

Of course the valuation of improvements would be made upon a common-sense basis. The landowner, upon making default in taxes, would be entitled to just as much compensation for his buildings as those buildings really added to the market value of the land on which they were built, but no more. If, as often happens, an expensive building had been put up in a district where it could never be of any use, nothing should be allowed for it beyond the value of its materials, after it had been pulled down. But for any really useful building compensation would be allowed, sufficient to enable the owner to put up a similar building, in similar condition, upon an adjoining tract of land. In short, whatever loss the owner of the building incurred, by reason of his own mistakes or extravagance, he would be left to bear; but whatever value belonged to the building, exclusive of the land underneath it, he would invariably be allowed to retain.

10. *The railway problem.* — This is no place for even a full statement of the great railway problem, with its almost endless branches. Much less will an attempt be here made to give it a complete solution. All that will be attempted is to suggest the close connection between this complicated problem and the simple one of taxation.

[1] The conception of a really incorruptible city council will seem, to most American readers, too wildly improbable for the basis of even a theory. But effete Europe is so far behind us, in the grand march of civilization, that such utopian bodies are quite common there; and the method of the text is common also.

[2] *Benson* v. *New York*, 10 Barbour, 223, 233.

It is by no means so clear as it seems to those who suffer from them, that high railway rates are actually unjust. That which *is* unjust in such cases is generally the fact that the large profits made upon such transactions are in the nature of rent, and equitably belong to the whole community. All attempts to correct this apparent injustice have thus far failed; and it may be worthy of inquiry whether this failure is not caused by some unrecognized justice in the system complained of. May it not be that the wrong consists, not in the differential rates, but in the failure of the government to collect any part of these differences for public use?

Are not many of the evils complained of due to inflated nominal values and fictitious securities? That such is the general opinion is strongly indicated by the stringent prohibition of fictitious stocks and bonds in the new constitutions of Illinois, Pennsylvania, and other States as well as in the statutes of still more. But if this opinion is well founded the concentration of taxes upon land privileges, including railway franchises, will practically settle that question by taking a very large part of such inflated values for public use.

The complete separation between the ownership of the road and the ownership of moving stock, proposed by Mr. Hudson,[1] would seem to cover all the remaining ground. Under the one natural tax the owners of the road would be taxed in proportion to the value of its franchise; but the owners of rolling stock would not be taxed at all. All persons and corporations could operate trains upon the road, subject to general rules. If the people of any place were charged too much for the carriage of their persons and property, they could put their own trains upon the road on equal terms with all others. This was the original railway idea, and it has been abandoned, not because it is really impracticable, as railway managers pretend, but because it is less profitable to railway companies than the monopoly which is created by the present system.

11. *Just taxation the remedy for unjust appropriation.* — The proposal of a method of just scientific and natural taxation is so simple and unpretending that eager social reformers cannot believe it possible that it can carry with it any cure for the evils of our time. They point to the unequal distribution of wealth, the growth and powers of monopolies, the watered stocks

[1] Hudson, J. F., *The Railways and the Republic,* Harper and Bros., 1886.

and bonds, the bribe-bought franchises, the usurped privileges, the stolen lands, the wholesale appropriation of public property to private use, and they ask how it can be possible that "a mere fiscal reform" can bring relief from any of these evils. Yet it can. No great upheaval of society is needed. No social reorganization is required. No general state-assumption of the machinery of production is either necessary or desirable.

It is continually but erroneously denied that the enormous fortunes of the present day are due to land monopoly or to methods of taxation. Fortunes of considerable extent are gained by skill and genius, and there is no good reason why such fortunes should not be encouraged. Bessemer, Edison, Bell, and other inventors have deserved wealth, and the capitalists who made their inventions possible and forced them upon public attention deserve it too. But all the unwieldy fortunes, and all which have had an undesirable origin, owe their existence to some form of monopoly which could not have existed under the natural system of taxation.

The enormous wealth of British dukes and of our own — or lately our own — Astors is of course due entirely to the comparative exemption of ground rents from taxation. But all the excess of wealth gained by railway kings, above a liberal compensation for shrewdness, sagacity, and foresight, is due to precisely the same cause. It has been shown that the chief value of railways consist in exclusive and peculiar privileges upon land; and the greatest part of this value arises from its comparative exemption from taxation.

The great monopolies which have grown with such startling rapidity into such overshadowing power owe all their wealth and power to their manipulation of railways and of duties on imports. Under natural taxation there would be no import duties to manipulate, and the railways could not afford to be manipulated.

12. *"Watered stocks."* — Let us pass to the consideration of the inflated stocks and bonds which are made the excuse for extortion. What can taxation do with them? The answer is so plain that one wonders at the question. Even without the adoption of the full reform here proposed the change of a few lines in the tax laws would put a speedy end to these abuses. If all corporate securities were made subject to the general tax rate at their full nominal value, the "water" would be let out of

them within three months. "Yet show I unto you a more excellent way."

Stock inflation does not really enable railways to charge high rates. The Erie line cannot charge more on through traffic than the Central. And, upon the whole, those who use railways do not pay more than the service is worth. The real evil is that a very great part of the value of such service consists in the use of the land over which the railway runs, that this portion belongs to the public, and that hardly any of it is taken, as it ought to be, for public use. The proper remedy is not to give service to those who use the railways for less than it is worth, but to use the same share of the value of railway land for public purposes as in the case of other lands. When this is done the entire people will receive, through relief from other taxation, their share of the value which they have given to the railways. And, at the same time, it will become impossible for railway companies to maintain inflated stocks and bonds because to do so would be to invite greater taxation than they could bear.

13. *Corrupt grants.* — So as to bribe-bought franchises. It would be quite unnecessary to *rescind* them. It would only be necessary to *tax* them on the basis of their true value, which is pure ground rent. Thus American street railroads, which generally owe their franchises to the grossest corruption and which charge fares of five or ten cents for a service which costs less than half that sum, need not be interfered with. Under a proper system of taxation it would make little difference whether the fares were reduced or not. If the fares were reduced to three cents, ground rents would be increased, and the city would derive greater revenue from its taxes on those rents. If the fares remain unchanged, the value of the railroad franchise would be so much greater, and the tax upon that would be greater in proportion. It would make little difference even to those who traveled in the cars. If the fares were reduced, the travelers would have to pay more rent for their homes. Thus they would contribute as much to the public funds in one way as in the other.

At first sight it would seem that the redress thus obtained would be very inadequate. But it would not. Of course, no past wrong can be entirely obliterated. No scheme of social reform seriously proposes to secure compensation for all the past. The world does not contain wealth enough to pay damages for all past injuries. But the taxation of all franchises, on the basis

of their present fair market value with the concentration of all taxes upon ground rents, of which these are a part, would take for the public benefit all that the public could have secured under the most honest and impartial sale of such franchises. It will also tax those corporations which obtained their grants for nothing just so much more than it will tax those which paid a fair price.

14. *Taxation the best remedy for past corruption.* — For these franchises could not, upon the average, have been originally sold for more than they would now pay under such taxation. If they had been sold at auction for a sum in cash, free of taxation, they would never have brought a sum which, however well invested, would produce an income equal to the average annual tax. If new franchises should be sold, free of taxation, to the highest bidder for an annual payment, that payment, in the long run, would rarely, if ever, equal the taxes which would be paid under this system. Therefore it would be better, in the long run, to give these franchises to the corporations which will give the best security for the best and cheapest public service than to sell them to the highest bidder either for a single or an annual payment. Indeed to sell them for a single present payment is obviously a bad method. It confines competition to a very few men of great wealth, depriving the municipality of the better service, which less wealthy but more energetic men would probably render; it cripples the operation of the franchise by impairing the capital of the managers; and it pours into the public treasury a large sum, which cannot be well invested, and which is an almost irresistible temptation to extravagance and waste.

And those corporations which have obtained valuable franchises for nothing, except bribes, will necessarily be taxed more heavily than those which are already subject to an annual payment. Thus the Broadway Railroad, in New York City, is subject to an annual payment of $40,000. The real annual value of its franchise (obtained by paying aldermen $20,000 each) is so much more than $400,000 that this figure may be taken as an extremely moderate one. Assuming that to be correct, the taxable value of this franchise would be reduced to $360,000 by this liability to an annual payment. If another charter, equally valuable, should be granted in a parallel street, for nothing, its taxable value would be the full $400,000. Supposing half of such value to be taken by taxation, half the amount gained by bribery would be recovered.

Under the present system, every conceivable method for recovering the loss sustained by the community through such schemes of corruption has been tried, without the slightest success. Even if the adoption of just taxation should only recover half of a just compensation for the franchises corruptly given away, that is a thousand times more than has ever yet been recovered, and ten times more than ever can be recovered in any other way.

15. *Usurped Lands.* — Take the case of usurped or stolen lands. In Great Britain, the lords of the manor, having had control of Parliament for centuries, have stolen vast quantities of land from the people, under the forms of law. In the United States, vast tracts of land have been taken up, under forged grants or under perjured testimony. Spanish grants are a byword, and the homestead law has been perverted into the most successful scheme for buying government land at a fourth of its value which could have been devised. It ought to be entitled: "An Act to prohibit the purchase of land by honest men, and to encourage monopoly and perjury." Railroad lands, to the amount of hundreds of millions of acres, have been obtained for nothing, except a few beggarly bribes to Congressmen and State legislators, amounting in all to less than a ten-thousandth part of the market value. What then? Shall we sue in the courts for relief? None could be had, without laying down rules of law, which would be ruinous to innocent purchasers all over the land. Shall we pass confiscatory laws? The Constitution forbids, and if it did not, our own consciences would revolt at the idea. There is no possible relief in that direction.

Great Britain has no written constitution, and her Parliament has unlimited power. Shall Parliament direct the confiscation of the old common lands? Shall it undertake to reclaim literal possession of "the land for the people"? Let us not waste time in discussing the question on moral grounds. Rightly or wrongly the moral sense of the people would revolt at such a proposition. And if it did not, yet the immense complications involved in awarding compensation for improvements would break down the whole project. It is not worth while to inquire into the abstract morality of an utterly impracticable scheme.

But in Great Britain and America alike the adoption of a just, natural, and uniform method of taxation would give an immediate remedy. Without confiscation, without violence, without any social upheaval, it would take for public use about half

of the revenue thus misappropriated, which is no more than ought to be taken, in any case, while it is far more than can ever be obtained in any other way.

"The best remedy for injustice is simple justice."

16. *Reform in government.* — By this time, it is hoped, the attentive reader will have begun to see that the adoption of natural taxation leads, by an easy course, to reform in all methods of government and the abolition of corruption in public office, by removing most inducements to corruption. It would nearly extirpate the bribery of legislatures and councils by leaving nothing for anyone to gain by offering bribes. Not absolutely, of course. It cannot be too often repeated that nothing in this world is or ever will be perfect. But this reform in taxation would remove most of the present inducements to bribery, falsehood and fraud in public affairs.

17. *Abolition of fraud and bribery in tax matters.* — The most prolific sources of these evils are directly connected with bad methods of taxation. Every change in laws imposing taxes upon commodities, either by a tariff or by excises, affects so many private interests that all parties agree in charging wholesale bribery and corruption upon each other, and none seriously claim to be innocent. This branch of the subject has already been sufficiently treated. The innumerable frauds and perjuries which arise out of the taxation of personal property have also been referred to. All these abominations would disappear, with the acceptance of natural taxation. Nobody would be required to make any return of his wealth, and no attention would be paid to it if he made any. There would be but one thing to be taxed, and its value would be ascertained by independent investigation. Valuations of land might be compared with the rents actually paid, but those rents would be learned by inquiry among tenants, not among landlords. Large landowners might attempt to bribe assessors, as they do now. But the value of land is so easily determined that other landowners could be provided with an ample remedy in an application to the courts to make assessments just and uniform.

18. *Special local assessments dispensed with.* — The complex system of special assessments for local improvements, which is indispensable under all existing methods of taxation, with its allowance for "betterments," to use a current English term,

would become unnecessary. All improvements could be made at the common expense because whatever improvement might thus be made in the value of adjoining property would all be an increase in the value of the mere land, and this addition would lead at once to a permanent increase in the tax upon that land to a proportionate amount. Such assessments have always been a fertile source of injustice, inequality and fraud. They are, inevitably, largely based upon guesswork, whereas the subsequent taxation would be measured by actual, known values.

19. *Bribery made unprofitable.* — The most appalling developments of crime in American government, however, have taken place with regard to the grants of special privileges on land, especially to railway, gas, electric light, and similar companies. The notorious robbery of the United States by the Union Pacific and Central Pacific companies to an amount exceeding $100,000,000 is only one of many instances, although the most prominent one. The repeated purchase of the Broadway Railroad franchise from corrupt aldermen and legislators, repeatedly set aside by the courts, has attracted more attention than hundreds of similar crimes. But every street-railroad franchise in New York has certainly been procured in precisely the same way, and probably every such railroad in the country, the franchise of which was worth anything, was chartered upon similar terms. Gas companies, electric light companies, and steam heating companies all pay heavy bribes for permission to lay their pipes or wires in city streets.

The taxation of all these franchises at their full value, on the same basis with other privileges over land, would make it impossible to obtain them for nothing. No bargains with aldermen could relieve them from paying handsomely for their annual value. There would no longer be an eager crowd of bribe-offerers, and therefore the crowd of bribe-takers would cease to buy their way into municipal government. The bribes offered to aldermen would be too small to repay the aldermen's bribes to their electors. Such franchises would be generally given to those who would accept them on terms most favorable to the public, with respect to low charges, good accommodation, and faithful service. No money would be paid, either to the municipality or to the aldermen; for taxes would have to be paid, and they would automatically increase as the value of the franchises increased.

20. *The tenement-house problem.* — The rapid increase of low-class tenement houses in large American cities, especially in New York, has excited the just anxiety and alarm of our most thoughtful citizens. Many plans of restriction and regulation are urged. They all aim at results which are eminently desirable. But they all involve large expenses, which must be finally borne, under our present methods of taxation, by the very tenants whose extreme and degrading poverty is the very cause of the difficulty. It is perfectly true that such houses do not afford sufficient space and air to sustain health. It is often true that they do not furnish accommodations necessary to maintain decency, although much has been done of late years to improve them and to keep them under careful inspection. But every good thing is costly; and who is to pay the cost? If the landlord is forced by law to provide better accommodations, he must charge more rent for the house; and it has been already shown that he can, in the long run, compel the payment of such additional rent, because, if he could not, no more tenement houses would be built until tenants were able and willing to pay a fair rate of interest upon all the cost of building such houses, including all compulsory improvements.

Or suppose that the cost of such improvements is paid by the government. The expense would be paid out of taxes. Who would pay the taxes? A full share would fall upon these very houses; and, as the cost of such improvements when made by the city would be far greater than it would be if they were made by the landlord, the probability is that the tax upon the class of houses thus State-repaired would be nearly as great as the cost of private repair would be. Be it more or less, this tax must be finally paid by the tenants. And in this event, a large share of the tax would fall upon other buildings, occupied by a class but little less poor than the occupants of tenement houses, and thus they would be dragged down into actual poverty.

The next result would be that the tenement dwellers would be so impoverished by the increase of their rents as to deprive them of some portion of the food or clothing which they had with difficulty managed to provide under the original rent. All of them would suffer inconvenience, most of them would suffer actual privation; their earning power would be reduced, and many of them would be driven out altogether by the bidding of other tenants who had previously occupied houses or parts of

houses of a slightly higher grade, which they had been compelled to give up by the pressure of taxation, or which, while they were much better than the tenements had been before tenements were reformed, were no better than the reformed and improved tenements.

Any compulsory improvements of this kind must inevitably make the lot of the lower class — the "residuum," as it is called — harder than ever.

As usual, it will be said that "this is all theory." Unfortunately, it is a theory which was never much thought of until practical experience called attention to it. The dwellings of the poor have been torn down and rebuilt with improvements, upon a large scale, in Paris, London, Berlin, and other cities, and always with precisely these results. Those who occupied the old, condemned buildings did not return to the new ones. They simply could not afford it. Their places were taken by others, who had always occupied rather better homes, and who were driven by increased taxation to descend a step in the social scale, finding in the new dwellings homes not quite equal to their old abodes, but much better and more expensive than the buildings which had been destroyed as unhabitable. The "residuum" were driven into more degraded conditions than those under which they previously lived.

21. *Its solution.* — Must we, then, abandon all hope of improvement in the homes of the poor? Not at all. While insisting upon renovations and necessary improvements, *let us remove all taxes from houses.* This will make houses more abundant; this will make house rents cheaper; this will enable house owners to furnish necessary improvements without increasing rents or losing interest on their investments.

Let us work out an illustration. Twenty thousand dollars is a reasonable estimate for the price of many tenement houses in New York; half for the house and half for the land. Houses being usually assessed for 70 per cent of their full value, the house, as distinguished from the land, would be assessed at $7,000 and taxed, at present rates, $133. If this tax were taken off, representing, as it does, a capital of about $2,600, the owner could afford to spend $2,000 on improvements without raising the rent, and yet make a profit. Competition with other house owners would eventually compel him either to spend about as much, or else to reduce his charge for the house by more than

$100 a year. Legislation might hasten his action or require him to make the improvements, instead of lowering his rent. In either case the tenants' condition would be greatly improved.

Without deciding that no other reform is necessary or desirable, it is at least demonstrated by long and wide experience that no permanent and complete reform of the tenement house is possible without first abolishing all taxes on buildings.

22. *Summary of conclusions.* — The adoption of natural taxation would obviously relieve the great mass of the people from all taxes and tax-burdens whatever, except rent, which they now pay, in addition to taxes.

It would put an end to that artificial concentration of wealth in the hands of a few, which is now making such rapid progress.

While leaving natural inequalities in human skill, intelligence, industry, and productive power to produce their natural effects in moderate inequalities of wealth, it would gradually remove those unnatural and monstrous inequalities which now exist, with no benefit to anyone and with vast injury to society as a whole.

It would put a premium upon improvement and industry, by relieving them from double taxation; while it would lay such burdens upon mere "dogs in the manger" as would drive them into productive industry.

It would secure to the owner of every product of human industry and skill an absolute and indefeasible title to such property, so that it could not be taken from him, even for taxes, without full compensation for its market value; a title, therefore, far superior to any which can now be held by any human being.

It would increase the demand for human labor in the production of good things for human use, to the utmost possible limit, thus causing a general rise in wages of at least 50 per cent, and more probably 100 per cent.

It would relieve wages from all present forms of taxation, thus increasing the net income of laborers, at once and forever, by at least 15 per cent more. Whether "times" were good or bad, wages high or low, the net income of every laborer would always be *at least* 15 per cent higher than it could possibly be under the present system, at similar periods.

It would encourage capital to free investment, by relieving it from all fear of punishment for enterprise, under the name of taxation.

It would solve the American currency problem, by opening banks of deposit in every nook and corner, free of taxation; thus giving to every farmer precisely the same facilities for exchange as are enjoyed by the wealthiest merchant or manufacturer, and making a large supply of either coin or notes superfluous.

It would largely reduce the share of taxes paid by farmers, because their share of ground rent is smaller than is that of other landowners; while it would not increase the present burdens upon residents of towns and cities, since they would pay nothing but rent, and that they pay now, in addition to taxes.

It would remove all shackles from commerce, trade, manufactures, agriculture, and industry of every kind, giving them a stimulus such as they have never known.

It would throw open to all men some land, upon which they could make a living, without requiring them to invest any capital in its purchase, and at no greater rent than they could reasonably afford to pay.

It would, therefore, enormously increase the production and wealth of the nation, while securing a fair, though not literally equal, distribution of that wealth.

It would reform government, by lifting the masses out of the degrading conditions which make them an easy prey to corrupt influences, by removing all temptation to fraud in matters of taxation, and by destroying the chief inducements to the corruption of legislatures and councils.

It would not at once make men moral, industrious, or intelligent; it would not give to any man a dollar which he did not earn for himself; it would not open any "royal roads" to wealth; for "royal" ways are ways of idleness.

But it would open fair and equal opportunities to men of equal capacity and industry; and it would remove nearly all artificial hindrances to the success of the honest, intelligent, and industrious.

Part II

SIDE-LIGHTS

CHAPTER IX

A Burdenless Tax: The Threefold Support Upon Which the Single Tax Rests

A. THE FIRST LEG OF THE SINGLE-TAX TRIPOS THE SOCIAL ORIGIN OF GROUND RENT

Ground rent, what land is worth annually for use, is a creation of the community, a social product — all local taxes are spent upon those things which make and maintain ground rent.

1. *Definition of ground rent.*—(1) Ground rent is what land is worth for use — economic rent. (2) Strictly speaking, the "worth for use" attaches not to the land itself, but to scores of things exterior to the land and through it available for use, so that the following is a fuller description:

Gross ground rent — economic rent — the annual site value of land — what land is worth annually for use — what the land does or would command for use per annum if offered in open market — the annual value of the exclusive use and control of a given area of land, involving the enjoyment of those "rights and privileges thereto pertaining" which are stipulated in every title deed, and which, enumerated specifically, are as follows: right and ease of access to water, health inspection, sewerage, fire protection, police, schools, libraries, museums, parks, playgrounds, steam and electric railway service, gas and electric lighting, telegraph and telephone service, subways, ferries, churches, public schools, private schools,

colleges, universities, public buildings — utilities which depend for their efficiency and economy on the character of the government; which collectively constitute the economic and social advantages of the land independent of any quality or content of the ground or land itself, and which are due to the presence and activity of population, and are inseparable therefrom, including the benefit of proximity to, and command of, facilities for commerce and communication with the world — an artificial value created primarily through public expenditure of taxes. For the sake of brevity, the substance of this definition may be conveniently expressed as the value of "proximity." It is ordinarily measured by interest on investment plus taxes.

2. *The nature of ground rent.*—As defined by Mr. Shearman, ground rent is, in its nature, "a tribute which natural laws levy upon every occupant of land as the market price of all the social as well as natural advantages appertaining to that land, including necessarily his just share of the cost of government." It is found operative in every civilized country, automatically collecting "from every citizen an amount almost exactly proportionate to the fair and full market value of the benefits which he derives from the government under which he lives and the society which surrounds him." It is a tribute, "a tax, just, equal, full, fair, paid for full value received."

> It is not merely a tax which justice allows; it is one which justice demands. It is not merely one which ought to be collected; it is one which infallibly will be and is collected. It is not merely one which the State ought to see collected; it is one which, in the long run, the State cannot prevent being collected. . . . . Seldom has there been a more beautiful illustration of the wise yet relentless working of natural law than in the proved impossibility of justly collecting any tax other than upon ground-

rent. It shows that nature makes it impossible to execute justly a statute which is in its nature unjust.

This definition of Mr. Shearman's is offered as one difficult to be improved upon or condensed.

Such, it may be added, is the nature of rent — ground rent — that all the public and private improvements of a community today are reflected in the land values of that community. Not only this, but the value of all those ideal public improvements conceived of as being possible under utopian conditions would be similarly absorbed, as it were, in the ground, would be reflected in its site value. Stand before a big mirror and you will see your image perfectly reflected before you. If you are a man scantily, shabbily clad, so is the image in the glass. The addition of rich and costly attire is imaged in the glass. Load yourself with jewels and fill your hands with gold: in the mirror, true to nature, is the image and likeness of them all. Not more perfectly, nor more literally, is your image reflected in the mirror, than are public improvements reflected in the value of the land.

One peculiarity in the nature of ground rent to which we urge your attention is the subtle relation existing between this natural income and the artificial outgo of the public taxes — a relation not unlike that of cause and effect, by which the wise expenditure of the tax contributes, in a manner especially direct, to the element of ground rent.

Simple illustrations may help to open the mind to a consideration of whatever may seem novel or strange in the restatement of a familiar truth. For instance: The cook turns the crank of her coffee mill; the whole coffee that was in the hopper comes out ground coffee, but it is coffee just the same. The Minneapolis miller lets on the water that turns the

crank of his flour mill; the wheat that goes into the hopper comes out flour, wheat in a more subtle form. The people turn the crank of a great tax mill; the taxes that go into the hopper come out ground rent, no tax quality lost, no rent ingredient added.

Or again: The myriad springs and rivulets of the great Mississippi are continuously delivering themselves in one great river to the sea. Suppose that some day you should read in the weather bulletin that nature had decided to suspend the regular return of these waters in clouds and rain and dew to their point of departure. How long would it be before the Mississippi Valley would be as parched and dry as the Desert of Sahara, or the North End of the city of Boston, or the East Side of the city of New York?

Or, more pertinent still, because more vital: The constant round of taxes and ground rent is the blood circulation of the body politic. When the heart throws out the life blood through the arteries, if that blood does not return through the veins, the patient dies — not of heart failure, but from loss of blood. When the public heart charges the arteries of the land with ground rent, if that ground rent does not return, the body politic is prostrated or enervated by loss of blood. The body politic today, like a man with a ravenous appetite, is cleaning its plate of all the millions a year that it can earn, and mortgaging the future for nearly as much more, always eating, yet always hungry, and simply because the best part of its millions of dollars' worth of arterial life blood, instead of coming back to the public heart, ebbs rapidly away through severed blood vessels in the private appropriation of ground rent.

These illustrations of the miscarriage of a beneficent provision seem to hint strongly at the true theory of ground rent,

as waiting to be naturally developed under a natural law, and as a natural social product.

3. *The operation of ground rent.* — Critical consideration is invited to Mr. Shearman's statement that the operation of ground rent is to exact from every user of land the natural tribute which he ought to pay in return for the perpetual public and social advantages secured to him by his location, a part of which natural tribute now goes to the State in the form of a tax, and the remainder to the land-owner in the form of rent. Objection to monopolies and special privileges is that they participate in the private appropriation of an undue share of this natural tribute, and while recognizing that in the end all quasi-public, as well as all public service, should be at the least practicable cost to the people, it is held that meantime whatever monopoly is enjoyed should be obliged, through taxation, to repay to the public a full and fair equivalent for the privilege conceded to it.

The monopolies and special privileges which should properly share with land values the burden of taxation may be partially enumerated as follows: the private appropriation of natural resources such as gold, silver, copper, iron, and coal mines, oil fields, and water powers; all franchises of steam and electric railways; all other public franchises, granted to one or several persons incorporated, from which all other people are excluded, and which include all "rights, authority, or permission to construct, maintain, or operate in, under, above, upon, or through any streets, highways, or public places, mains, pipes, tanks, conduits, or wires, with their appurtenances for conducting water, steam, heat, light, power, gas, oil, or other substance, or electricity for telegraphic, telephonic, or other purposes."[1]

[1] Quoted from the Ford Franchise Tax Act of New York.

4. The office of ground rent. — The true office of ground rent is that of a board of equalization — equalization of taxation, of distribution, and of opportunity. The tendency of an increase in the tax upon ground rent is not only to equalize taxation and distribution, but to equalize the opportunity of access to those social services attached to the land. In this clear distinction between land and land value, which cannot be too critically noted, may there not be found an explosion of the notion that a man has a right to the private appropriation of ground rent, because his forefathers bought and paid for the land fifty or one hundred years ago?

The question is: When he bought the land fifty or one hundred years ago, did he buy and pay for the land value of today? In 1686 a company having five shares and five stockholders bought a lot of land in Philadelphia for $5. In 1900 the same company, with its five shares and five stockholders, sold the value of the same land for $1,000,000. Does it sound reasonable to say that for one pound sterling in 1686 these five men bought and paid for the $1,000,000 land value of 1900, with its ground rent of $40,000 a year? Would not such a sale in 1686 of goods to be delivered two hundred and fourteen years later be dealing in futures with a vengeance? True it is that the land sold today is the same land bought in 1686. But it is just as true that its value today is not the value of the land itself, but is the value of the rights and privileges pertaining thereto, and exterior to the land itself. The demand that enhances land value is not for land itself, but for the command of these same rights and privileges.

Land value being a social creation, and rent being socially maintained, equal access to the rights and privileges pertaining to the land can be promoted by the taxation of ground

rent, and by this means only. Ground rent, the natural tax feeder, extracts from the user of land the exact measure of his advantage over other men in his exclusive enjoyment of rights and privileges pertaining to his own location, and the whole tendency of the taxation of ground rent is to equalize participation in these common rights and privileges, by commuting into dollars and cents, which can be divided, those indivisible advantages of location, which can only be enjoyed individually. Whatever of rent goes into the public treasury tends to a fairer distribution of produce in wages earned. Whatever of taxation is transferred from other wealth to ground rent leaves so much more wealth to be distributed in wages.

Again, it is submitted that the true office of ground rent is to offer a communal shoulder suited to bear all the burden of common needs, leaving produce — current wealth — to be distributed, as fast as produced, in wages and interest, the total volume of which will always be increased by the amount of rent appropriated through the taxation of whatever of economic rent there is in special privilege.

Ground rent being a social product, is not its private appropriation a special privilege?

5. The cause of ground rent. — The dimensions, as well as the continuous character of the contribution made by the people to the growth and volume of ground rent, are seldom measured — by many persons hardly suspected. Almost anything else that he owns, except land, a man may appropriate, destroy, tear down, burn down, remove, consume, change in form, wear out. To the land itself he cannot do any of these things. The value of its use is ground rent, an annual value, which is all that the owner of land can consume. The land value itself survives, and usually intact.

Ground rent may be said to result from at least three distinct causes, all connected with aggregated social activity:[1]

(1) Public expenditure: All wise public expenditures are direct feeders of ground rent. Streets, lights, water, sewerage, fire and police systems, public schools, libraries, museums, parks and playgrounds, all contribute to enhance the value of land, and a corresponding depreciation would follow the abolition of any of these systems. It follows, therefore, that expenditure for maintaining these services constitutes the maintenance of ground rent, if not in a literal sense, at least in an all-sufficient common sense.

(2) Quasi-Public expenditure: In the same way, the expenditure by the municipality or by private corporations for steam and electric railways, gas and electric lights, telegraph and telephone facilities, subways and ferries, contributes to the value of land, at least, to the extent of their actual cost.

(3) Private expenditure: Equally, and by parity of reasoning, private or voluntary social expenditure for churches, private schools, colleges and universities, all private buildings, apartment houses, stores, and office buildings, contributes to ground rent, the annual value of land.

In an enumeration of the causes of ground rent, popula-

[1] *A question for the future to decide.* — For the sake of argument, let there be assumed the following hypothesis:

Ground rent is due to three principal causes in proportion as follows: (1) to Public Expenditure, say one-half, (2) to Quasi-Public Expenditure, say one-quarter, (3) to Private Expenditure, say one-quarter.

Queries: (1) Would not the right of the community to the first half be beyond dispute? (2) Would the community have as full a right to the third quarter as to the first half? (3) Would not private enterprise and expenditure have a larger right in the last quarter than in the other parts? In practice would not justice and fact coincide, because the greater the private improvement, the greater the profit to the private improver through exemption of his improvement.

No present discussion of the foregoing hypothesis is invited; it is suggested only as food for thought when the time shall come, if ever, to decide the exact percentage of rent that ought to be absorbed by taxation.

tion is usually the one first named. But a passive population gives little value to land; it is rather the activities consequent upon the character of population that create the value.

It is generally conceded that, as a matter of fact, ground rent is what land is worth annually for use; but it is of far greater importance to understand clearly what is the source of that worth, and especially to what extent it may be regarded as a social product. Inasmuch as all the contributions representing social activities, so far as enumerated, are paid for from the treasuries of the people, it is correct and proper to say that ground rent is chiefly and peculiarly a social product.

6. *The maintenance of ground rent.* — So far as the cost of streets, lights, water, sewerage, fire, police, schools, libraries, museums, parks, playgrounds, steam and electric railways, gas and electric lights, telegraph and telephone companies, subways, ferries, churches, private schools, colleges, universities, public buildings, well-appointed houses, stores, and office buildings is what constitutes the cost of land value, just so far the maintenance of all this public or social service constitutes the maintenance of ground rent.

A simple illustration may help to an appreciation of the absurd absence of a true economy in tax affairs today. A landlord owns a factory which requires steam power, and which is useless and worthless without it. Another man owns a steam plant, and furnishes steam to factories at so much per horse power. The man who hires and uses the factory pays factory rent to his landlord, who furnishes the factory, and steam rent to the man who furnishes the steam. He would smile if you should talk to him about paying his steam rent to the landlord who does not furnish it. In vivid contrast with this sensible performance we may take the case of another

landlord who owns a store, requiring public service and convenience, and useless without it. The municipality owns and runs a public service plant, and furnishes public service at a cost of so much per thousand dollars' worth. The man who hires and uses the store pays store rent to his landlord, who furnishes the store, but, by a strange perversion, he pays his public service rent to the same landlord. Should he not pay his public service rent to the public that furnishes it?

Inasmuch as all these contributions to its maintenance, so far as enumerated, are from the treasuries of the people, what can ground rent possibly be, if it is not a social product?

7. *An illustration: the ground rent of Boston.* — A dense skepticism and, indeed, a denser ignorance, seem to obtain even in regard to the simple fact that there is such a thing as ground rent, and yet much more in regard to what is the volume of gross ground rent. It has been questioned whether the ground rent of the city of Boston, for instance, under the single tax, with the accompanying shrinkage in speculative values, would exceed today 5 per cent on the assessed valuation of land, or $32,000,000. Indications are that the net rent of the land itself might not, but our investigations are directed to ascertaining not the net, but the gross, ground rent, which is net rent plus the taxes.

In a systematic attempt to dispel these clouds of ignorance and skepticism — now to be found in surprisingly high places — and to demonstrate beyond a reasonable doubt about how much gross ground rent there is in the city of Boston, actual sales for the year 1902 and actual rentals have been collected from official sources.

One hundred and twenty pieces of real estate in various sections of the city are shown to have been sold at prices averaging one-fifth higher than their assessed valuation, indi-

cating that at least in these one hundred and twenty cases the valuations were less than five-sixths of the selling price.

Seven hundred and fifty-one rentals of estates, together with their assessed valuations, averaging $47,680 each, were also obtained from reliable sources. In the total for these it is found that the net rent is 5 per cent (4.8) and the gross rent — net rent plus taxes — is 6 per cent of the assessed valuation.

Based upon this indicated ratio the gross ground-rent of Boston is, by a conservative estimate, not less than fifty or fifty-five million dollars.

The valuation of Boston's land in 1887 was . .	$322,000,000
The value of the same land in 1907 was . . .	653,000,000
Thus the increase in the valuation of land in twenty years was	$331,000,000

Five per cent on this twenty years' increase of $331,000,000 would be $16,550,000, which, added to the $4,300,000 assessed upon the land in 1887, would be $20,800,000, as compared with Boston's taxes of $21,254,000 in 1907.

Those who agree with John Stuart Mill that it would be sound public policy and no injustice to landowners to take for public purposes the future increase in ground rent will be interested to note what an opportunity for putting such a plan in operation in Boston is shown by the foregoing figures to have been lost twenty years ago.

The fifty-five millions are, we submit, the "income" in very truth earned by the city and people of Boston — created by their actual labor and actual expenditure. Under the single tax Boston would pay all its current expenses out of this legitimate $55,000,000 income of its own, earned by itself, instead of allowing $40,000,000 more or less of this amount

to be divided, through the channel of privilege, into unearned incomes, thus aggravating those inequalities in distribution of wealth which people are wont to declaim against as partial and wrong.

While that part of the ground rent of Boston that goes to individuals may be said to be unearned, having been produced by society, it may truthfully be said to be earned by society, and hence it may go to it as its wages, just as properly as his earnings go to the individual who works for wages.

B. THE SECOND LEG OF THE SINGLE-TAX TRIPOS THE NON-SHIFTABILITY OF A LAND TAX

A tax upon ground rent cannot be shifted upon the tenant by increasing the rent. If it could, the selling value of land would not be reduced, as it now is, by the capitalized tax that is imposed upon it.

The question is whether, if a new tax should be put upon land, the owner would not escape by adding it to his tenant's rent.

It is not a sufficient answer to quote the authorities. The query still remains: What are the arguments upon which the authorities rely? Following is an attempt at the clear statement which these arguments deserve.

Ground rent, "what land is worth for use," is determined, not by taxation, but by demand. Ground rent is the gross income, what the user pays for the use of land; a tax is in the nature of a charge upon this income, similar to the incumbrance of mortgage interest. It is a matter of everyday knowledge that even though land be mortgaged nearly to its full value, no one would think for a moment that the owner could rid himself of the mortgage interest that he has to pay through raising his tenant's rent by a corresponding amount.

Mortgage interest is a lien held by an individual; similarly a tax may be clearly conceived as a lien held by the State. Both affect the relation between the property owner and lien holder; neither has any bearing upon the relations between owner and tenant. "Tax" is simply the name of that part of the gross ground rent which is taken by the State in taxation, the other part going to the owner; the ratio these two parts bear to one another has no effect upon the gross rent figure, which is always the sum of these two parts, viz., net rent plus tax. The greater the tax, the smaller the net rent to the owner, and vice versa. Ground rent is, as a rule, "all the traffic will bear"; that is, the owner gets all he can for use of his land, whether the tax be light or heavy. Putting more tax upon land will not make it worth any more for use, will not increase the desire for it by competitors for its tenancy, will not increase its market value.

To illustrate, let us consider the case of a piece of land for which the landowner gets $1,000 rent from the man who uses it.

(1) The owner, let us say, pays over to the city in taxes $100 of this $1,000 rent. Is there any indication that this $100 tax has any influence in fixing the present rent at $1,000?

(2) Let us suppose that next year the city decides to take another $100 of the $1,000 rent in taxes. Could the owner then add the $200 tax to the tenant's rent, making it $1,200?

(3) Let us suppose that the following year the tax is increased by another $100 and so on, by an annual increase, until, for extreme illustration, the tax is $1,000, an amount equal to the entire rent; would such a condition make it possible for the owner to raise his tenant's land rent to $2,000?

These questions would seem to answer themselves in the negative, and thus bring us to a fair conclusion in the matter.

WHAT THE AUTHORITIES SAY OF THIS SECOND LEG OF THE SINGLE-TAX TRIPOS, THAT A TAX UPON ITS RENT CANNOT BE SHIFTED

The weight of authority upon such a question is worthy of attention, although by no means decisive. Now, while a few respectable and sincere students of economic science hold to the doctrine of transferability of the ground-rent tax to the tenants, no one will dispute that an overwhelming weight of authority, both in numbers and in reputation, scout that doctrine as absurd. Not only the entire school of Ricardo and Mill, but also nine-tenths or more of other economic writers make it a fundamental doctrine of their science that such a tax never can be transferred to tenants. — Thomas G. Shearman, *Natural Taxation,* pp. 129–32.

Though the landlord is in all cases the real contributor, the tax is commonly advanced by the tenant, to whom the landlord is obliged to allow it in payment of the rent. — Adam Smith, *The Wealth of Nations,* Book v, chap. II, Part 2, art. I.

A land tax, levied in proportion to the rent of land, and varying with every variation of rent, is in effect a tax on rent; and such a tax will not apply to that land which yields no rent, nor to the produce of that capital which is employed on the land with a view to profit merely, and which never pays rent; it will not in any way affect the price of raw produce, but will fall wholly on the landlords. — Ricardo, *The Principles of Political Economy and Taxation,* McCulloch's edition, p. 107.

A tax on rent would affect rent only; it would fall wholly on landlords, and could not be shifted. The landlord could not raise his rent, because he would have unaltered the difference between the produce obtained from the least productive land in cultivation, and that obtained from land of every other quality. — Ricardo, *The Principles of Political Economy and Taxation,* chap. x, sec. 62.

A tax on rents falls wholly on the landlord. There are no means by which he can shift the burden upon anyone else. . . . . A tax on rent, therefore, has no effect other than its obvious one. It merely takes so much from the landlord and transfers it to the State. — John Stuart Mill, *The Principles of Political Economy,* Book v, chap. III, sec. 2.

The power of transferring a tax from the person who actually pays it to some other person varies with the object taxed. A tax on rents cannot be transferred. A tax on commodities is always transferred to the consumer. — Thorold Rogers, *Political Economy,* 2d ed., chap. xxi, p. 285.

A land tax levied in proportion to the rent of land, and varying with every variation of rents, ... will fall wholly on the landlords. — Francis A. Walker, *Political Economy,* ed. of 1887, p. 413, quoting Ricardo approvingly.

A tax laid upon rent is borne solely by the owner of land. — J. Bascom, *Treatise,* p. 159.

Some of the early German writers on public finance, such as Sartorius, Hoffman, and Murhard, went so far as to declare that, because of this capitalization, a land tax is no tax at all. Since it acts as a rent charge capitalized in the decreased value of the land, they argue, a land tax involves a confiscation of the property of the original owner. On the other hand, since the future possessors would otherwise go scot free, it becomes necessary to levy some other kind of a tax on them. — E. R. A. Seligman, *Shifting and Incidence of Taxation,* p. 139.

The incidence of the ground tax, in other words, is on the landlord. He has no means of shifting it; for, if the tax were to be suddenly abolished, he would nevertheless be able to extort the same rent, since the ground rent is fixed solely by the demand of the occupiers. The tax simply diminishes his profits. — E. R. A. Seligman, *Shifting and Incidence of Taxation,* pp. 244, 245.

If land is taxed according to its pure rent, virtually all writers since Ricardo agree that the tax will fall wholly on the landowner, and that it cannot be shifted to any other class, whether tenant-farmer or consumer. . . . . The point is so universally accepted as to require no further discussion. . . . . A permanent tax on rent is thus not shifted to the consumer, nor does it rest on the landowner who has bought since the tax was imposed. — E. R. A. Seligman, *Shifting and Incidence of Taxation,* pp. 222, 223.

With these assumptions, it is quite clear that the tax on economic rent cannot be transferred to the consumer of the produce, owing to the competition of the marginal land that pays no rent, and therefore no tax, nor to the farmer, since competition leaves him only ordinary profits.

The amount of each particular rental depends upon units of surplus produced (varying to any extent according to the superior natural conditions), and on the marginal price, which is independent of these superior conditions, and, accordingly, a tax that strikes the surplus only, remains where it first falls. — J. S. Nicholson, *Principles of Political Economy,* Book v, chap. xi, secs. 1 and 4.

C. THE THIRD LEG OF THE SINGLE-TAX TRIPOS THE ULTIMATE BURDENLESSNESS OF A LAND TAX

Every landowner is exempt from taxation on his investment, to the extent of the tax to which his land was subject at time of his purchase, and therefore, practically speaking, nearly all land is today owned free of any tax burden.

The purpose of the following illustration is to make clear by means of iteration and reiteration two facts, viz.:

Fact 1. The landowner of today who has purchased since the present tax was imposed escapes taxation upon his investment.

Fact 2. The burden of a land tax cannot be made to survive a change of ownership.

The illustration is intended to show the effect in a normal or advancing community of mortgage interest and taxes upon the market value and cost to the user of a lot of land and a house respectively having equal purchase and rental value, and each subject to the same mortgage interest and taxes.

First: The land. —

Proposition 1. — *Let it be supposed that you want a piece of urban land that is worth $300 a year to you for use. You can afford to pay $300 a year and no more, and it can be had at an annual cost of $300 a year.*

Let us then proceed to acquire this piece of land, exercising diligence and caution to profit by each step in the transaction.

(*a*) At the very outset the question arises, what is the thing for which you are proposing to pay $300? Surely it is not the soil itself, because it is a question of a building site, which could be had out in the country for little or nothing. It is not merely the area upon which to dig a hole in the ground, wall it about, and erect a building, for the same space can be had elsewhere for a song. In short, it is not the earth's surface; it is not the inherent capabilities of the soil; it is not light and air, or other bounties of nature resident in that lot of land; it is not natural resources of which you are thinking as worth to you $300 a year.

(*b*) But what you are going to pay for is the accompanying and incidental use of a great many expensive things outside of the piece of land, things which you will need and must have, which you cannot afford to provide at your own expense, but for the use of which you can afford to pay in proportion as you use them. It is these outside things, available by their proximity, for which you are called upon to pay $300 a year. To enumerate again, specifically, they are, in a town or city lot, right and ease of access to water, health inspection, sewerage, fire protection, police, schools, libraries, museums, parks, playgrounds, steam and electric railway service, gas and electric lighting, telegraph and telephone service, subways, ferries, churches, public schools, private schools, colleges, universities, public buildings — utilities which depend for their efficiency and economy on the character of the government; which collectively constitute the economic and social advantages of the land; and which are due to the presence and activity of population, and are inseparable therefrom, including the benefit of proximity to and command of facilities for commerce and communication with the world — an artificial value created primarily through public expenditure of taxes. In practice, the

term "land" is erroneously made to include destructible elements which require constant replenishment; but these form no part of this economic advantage of situation or site value.

(*c*) In other words, you are to pay $300 a year for the value of what the law calls the "rights and privileges thereto pertaining," specified in every deed of land conveyance. This $300 is ground rent, "what the land is worth for use."

Proposition 2.—*Assuming this piece of land to be free from all charges and incumbrances, and assuming the current rate of interest to be 5 per cent per annum, you would purchase the lot for $6,000, because interest upon that sum would amount to the stipulated $300 a year. But if, on the contrary, the lot bears a mortgage of $2,000, upon which the annual interest charge is $100, then the lot will cost you $4,000.*

(*a*) The mortgage interest charge of $100 reduces the selling price of the land by the amount of the mortgage, $2,000, and you will buy the land, not at $6,000, but at $4,000, the value of the equity remaining after mortgage interest has been paid.

(*b*) By purchasing title you will assume the mortgage and will pay the mortgage interest, $100, but that $100 will not come out of your $200, the net income from your investment of $4,000; it will come out of the gross income, the ground rent, $300. It is a part of, and not an addition to, the ground rent. You will pay the interest, but you will not bear it, because you will have bought yourself clear of the burden.

(*c*) The lot will thus cost you annually for use: interest on your purchase price ($4,000 at 5 per cent), $200, plus mortgage interest ($2,000 at 5 per cent), $100, equal in all to $300, all that the land is worth for use, use being the only relation of land to man with which economics has reasonable concern.

Proposition 3. — *But, besides being subject to a mortgage of $2,000, assume further that this lot of land is subject also to an old tax*[1] *of $100, which charge the purchaser must also assume. You will then purchase the land not at $4,000, but at $2,000.*

(*a*) As already seen, the mortgage interest charge of $100 reduces the selling price of the land by the amount of the mortgage, $2,000. It is equally true that the tax charge of $100 reduces it by the same amount, $2,000; the mortgage and the tax together therefore reduce it by $4,000; and you will buy the land at $2,000, the value of the equity which remains after both mortgage interest and tax have been paid. This $2,000 is the capitalization of the annual value of the lot to you after all charges have been met.

(*b*) In purchasing you will assume both mortgage interest and tax and will pay them, but you will pay them out of the gross income of $300, and not out of the net income of $100 from your investment of $2,000. Therefore no part of the $2,000 which you pay for the equity will be taken from you in taxation, either as principal or interest.

(*c*) The lot of land will thus cost you for use: interest on your purchase price ($2,000 at 5 per cent), $100; plus mortgage interest ($2,000 at 5 per cent), $100; plus taxes, $100; and these together aggregate $300, what the land is worth for use, the same as before.

(*d*) It follows then that, under the present system, assuming free competition, the selling value of land is an untaxed value, and landowners who invest today are exempt from taxation — not indeed upon their land, but upon its annual net or income value to them, or, in other words, upon their in-

[1] By the term "old tax" is intended the tax in force at time of last purchase; by "new tax," one imposed since last change of ownership.

vestment. The gross value is a taxed value. The net value is an untaxed value.

(*e*) As this exemption of the present owner holds true today, so it will be true in future of each new purchaser subsequently to the imposition of any new tax. It is in the very nature of things that the burden of a land tax cannot be made to survive a change of ownership.

(*f*) This is equally true of a bond, but it is assumed that a tax levy should be not upon intangible stocks and bonds legally conceived as property, but only upon tangible goods and estates. It is, to be sure, just as true that a man who builds a house to rent pays no tax on his investment, but for a different reason. The tax, in that case, is shifted upon the user in increased house rent, except so far as, by discouraging building, it is reflected in lower wages for building. But an old tax upon the land is a burden neither upon present owner nor user. The tax on land is "absorbed," that on the house is "shifted."[1]

(*g*) We cannot too soon or too rigidly fix in mind the fact that this ground rent of $300 is the governing factor in the situation;[2] that it is a tax laid not by the State but by nature, which every man must pay for the use of land, either to a private owner as rent, or to the State as a tax, or to both. No statute or ordinance can increase or reduce, exempt from, or abolish the payment of this "economic rent," or ground rent, to somebody. Its amount is neither fixed nor affected by the tax that is put upon it, whether large or small. Taxing it cannot increase it; cannot decrease it; cannot abolish it.

[1] Landlords who own and let both land and tenement houses, apartment houses, and business blocks thereon, escape the burden of the tax on their land, and at the same time shift upon their tenants the building tax, thus avoiding all share in the tax burden.

[2] This is indeed the point from which the whole discussion proceeds.

Its amount may always be calculated by this simple formula: ground rent equals interest on purchase price, plus interest on any mortgage, plus taxes.

Proposition 4. — *Neither a tax upon ground rent, nor the ground rent itself, adds anything to the cost of land for use.*

(*a*) Economic rent, ground rent, measures the value of all public, quasi-public, and social service. If the whole ground rent is not a burden, but merely an equivalent for social values received, neither can interest and taxes, two of the parts of which ground rent in our illustration is composed, be a burden upon the user. A tax upon rent comes out of rent, which, as has been explained, is the natural tax that every user has to pay to someone, and hence it subtracts nothing from wages and adds nothing to the cost of living.

Proposition 5. — *You cannot pay $6,000 for the land and in addition pay either the mortgage interest of $100 or the tax of $100, because that would make land cost you $400 per annum which, by our assumption, is worth only $300.*

(*a*) The tax upon land cannot be added to the ground rent — which is kept at its maximum by market demand — but is a part of, and must come out of, ground rent. If it could be added, that fact would itself indicate that the ground rent was $400 instead of $300, which is contrary to supposition. Land worth only $300 a year cannot be made worth $400 a year by putting a tax of $100 upon it.

(*b*) Let it not be forgotten that ground rent, in the sense in which the word is used, is the same homogeneous thing, one and indivisible, the world over — what land is worth for use. It is rent — or use value — not cost of construction or cost of production — that fixes the price of land. Economic rent is the initial and governing factor from which all calculations must proceed.

Second: The house.—

Proposition 6.—*The lot having been acquired, let it be supposed that you are in need of a house, and that such a house as you want would cost to build $6,000, or, in interest, $300 a year, the same as the annual cost of the land.*

You will observe at once that the problem of the house is quite different from that of the land. The cost of acquiring land depends primarily upon its rent. Conversely, the rent of a house depends primarily upon its cost. Builders will not build houses unless they can get interest on the cost of construction. Competition among builders will not allow one builder normally to get more than interest on cost of construction.

Proposition 7.—*If such a house were free of tax, but mortgaged for $2,000, it would cost you to buy only $4,000, and it would cost you to use, as in case of the land, interest on purchase price ($4,000 at 5 per cent), $200, plus interest on mortgage ($2,000 at 5 per cent), $100, making $300 as before.*

The mortgage upon a house, like that upon land, will add nothing to the cost of the house for use.

Proposition 8.—*But you find that such a house is subject also to a tax of $100, which you will have to pay in addition to the above $300, interest on purchase and mortgage, making the house cost you for use altogether $400, instead of $300 a year, or $100 more on account of the tax.*

(*a*) Unlike the tax upon land, the tax of $100 upon the house cannot come out of the $300 rent (house rent or interest) except indirectly through its effect upon wages as before mentioned, because house rent cannot normally be less than interest on the actual cost of building the house; it must instead be paid by the user of the house, over and above his

interest, making his house rent, the annual cost of his house for use, $400 instead of $300.

(*b*) To repeat: a house rent, otherwise $300, is increased to $400 by a tax of $100 on the house. In contrast with this, you may either take off a present tax of $100 from the land, or you may increase that tax to $200, and in neither case will the cost of the land to the user be affected. Take off the $100 tax from the house, and the cost of the house to the user will be reduced from $400 to $300 a year; of land and house together, from $700 to $600.

Proposition 9. — *The moral of this illustration is that you get for use annually $300 worth of land for $300, and a house costing $300 for $400. In other words, a tax upon land is a part of, is included in, and comes out of, ground rent, and is no burden to the user; while a tax upon a house is a clear addition to house rent, and comes principally out of the user of the house.*

To recapitulate: (*a*) It has been shown that a house tax of $100 that has been regularly levied takes in taxation $100 a year of the user's income.

(*b*) It has been shown that a land tax of $100 takes in taxation no part of the income of the user or present owner, provided that he purchased the land after the tax was imposed.

The beauty of this illustration is that (in a classification which excludes duplication by certificates or mere legal evidences of property, like stocks, bonds, etc., and includes only actual tangible property) while land stands as always for everything except the products of labor, a house is here made to stand as the representative of any and all products of individual labor, that is, for everything except land, and the illustration thus becomes all-inclusive.

If you have had the patience to follow it understandingly

you may rest assured that you have mastered a basic principle of taxation, and have solved one of the most perplexing problems of political economy.

It has been suggested that this doctrine of the ultimate burdenlessness of the land tax bears the stamp of truth which Herbert Spencer affirmed to be the final test of a verity, that is, that its negation, or opposite, is unthinkable. It also ushers us into the perfect repose of a scientific conclusion that the single tax, instead of involving hostility to the landowner, might be inaugurated in all its fulness by the simple exercise of impartiality in taxation.

There is another mode which, only give time, would facilitate the same work. It may be shown that if a special tax be imposed upon land, and if it be suffered to subsist, it will in course of time cease to be felt as a tax. Land will be bought and sold subject to it; offers will be made and prices will be settled with a reference to it; and each purchaser who buys for the purpose of earning the average rate of profit will reduce the purchase money, owing to the existence of the tax. If he does not, it will be because he prefers something to profits. Hence the land tax imposed in 1693 so far as it is not redeemed, has probably ceased to be felt as a tax. . . . . Hence, too, it follows that if it was originally fair to impose a land tax of 4s., it is now fair to add a tax of the same amount; or, in other words, if the landowner of the reign of Victoria may be justly called upon to bear as heavy a burden as that borne by his forefather, the land tax must be raised to 8s., of which 4s. will be a rent-charge or the share of a joint tenant, and only the remainder will be of the nature of a tax. . . . . In the course of time the same causes which effaced the first four shillings would remove the weight of the 8s.: whenever land is sold, it will be so with an eye to the existence of the latter tax. The process will not stop here; assuming that rents do not fall, that land is freely sold, that no equivalent tax is levied upon personality, and that the increments of taxation are imposed at very distant intervals, in the lapse of time each addition to the land tax will be shifted from the landowners. Thus it would seem that there is no taxing them

always, unless the land tax be repeatedly raised, and that, if such an impost is just at all, the State must in fairness keep whittling at the portion of the landowner until, at some distant period, it is absorbed by taxation.[1]

Mr. George has not only been consistent throughout all his writings in the implication of the ultimate burdenlessness of a tax on land values, but he explicitly declared in an address to the Knights of Labor, that "to take land values for public purposes, is not really to impose a tax, but to take for public purposes a value created by the community," to which may be added Mr. Shearman's testimony that "scientifically speaking, a tax upon ground rent is not a tax at all."

Professor Seligman at Saratoga in 1890 made the following statement:

It is apparent that the value of the land will fall in exact proportion to the increase of the tax, until when the tax equals the entire rent the value of the land will be zero. During these successive stages, however, the new purchasers lose nothing. The diminished rent will still yield them the same rate of interest as before, because of the diminished capital value on which the interest is computed.

Professor F. Spencer Baldwin, in an editorial in the *Boston Transcript,* March 16, 1909, said:

The broad basis of this tripos of the single tax will doubtless withstand assaults. Since the ground rent of land is a social product, it is just to take at least enough of it in taxation to meet the expenses of government. Such a tax, furthermore, cannot be shifted from the landowners to other classes in the community, but must be paid wholly and finally by them. It is, moreover, just that they should be taxed especially in this fashion; because in most cases they have bought their land tax-free under the operation of the principle that the selling value of land is an untaxed value and a land tax cannot survive a change of ownership. This threefold support of the single tax is the stoutest

[1] Macdonell, *The Land Question,* p. 74.

that has been erected by any champion of the policy. Anyone who will take the pains to study the economic principles involved, and their application, must concede the substantial validity of the arguments.

The figures of the city of Boston for 1915 illustrate the relative incidence upon landlords as a class under the proposed system.[1]

Land	$733,387,300	taxed	at	$18	yields	$13,200,971
Buildings	528,567,000	"	"	"	"	9,514,206
Real estate	$1,261,954,300	"	"	"	"	$22,715,177
Personalty	304,443,000	"	"	"	"	5,479,974
	$1,566,397,300	"	"	"	"	$28,195,151
Poll taxes yield						420,166
The total tax levy is						$28,615,317
To raise the same revenue from land alone landowners would have to pay under the single tax on land $733,387,300 at $39.02 per thousand						$28,616,772
They pay now on land at $18 per thousand						$13,200,971
Required increase of the tax upon land alone; an increase which will become in the course of a generation or two as burdenless to the then owners as the present tax is to the owners of today						$15,415,801
Largely offset by exemption of buildings, personalty, and polls, as follows:						
Buildings, $528,567,000, at $18					$9,514,206	
Personal estate — estimated					3,653,316	
Poll taxes — estimated					48,000	
						$13,215,522
Leaving net increase of tax on landowners collectively						$ 2,200,279

The net increase ($2,200,279) in the tax bills of landowners collectively under the single tax is $3 per thousand (three-tenths of 1 per cent) on their present land values.[2]

[1] The writer is indebted to Mr. Jonas M. Miles, a Boston attorney, for the above statement.

[2] The landowner's share of personalty tax is estimated from examination of tax lists to be two-thirds of the total. In most towns it is more than that. As to poll taxes, it is here estimated that less than 12 per cent is paid by landowners, though in most towns the proportion is found to be larger.

To sum up, the single tax would relieve the poll taxpayer, and a few persons who now pay taxes on personal estate and on nothing else, but it would increase the total now paid by the landowners collectively certainly less than 10 per cent, probably not more than 5 per cent. The *proportions* in which landowners would bear the "burden" would be changed, that is all. The changes would be favorable to those who have improved and made the best use of their land, a long stride toward equalization in taxation. The landowners now pay no taxes on land[1] and all the single tax would do to the landowner in Boston is to take less than $3 out of the privileged, unearned net income which he now enjoys from a thousand dollars' worth of land, and there is no doubt that this net income averages $35 to $40 at least.

Among other authorities on the burdenlessness of the land tax are Sir Robert Giffen, *Essays in Finance,* First Series, p. 242; Mill, *Principles of Political Economy,* Vol. II, Book V, chap. II, sec. 6; Bastable, *Public Finance* (1903), p. 440; Thomas N. Carver, *Yale Review,* November, 1896.

[1] See Fillebrown, C. B., *The A B C of Taxation,* chap. III, Doubleday, Page & Co., New York, 1909.

CHAPTER X

Land: The Rent Concept—The Property Concept

MR. GEORGE, in his brief chapter on "Rent and the Law of Rent,"[1] often repeats the agricultural definition of rent, mostly in confirmation but sometimes in expansion of Ricardo. Certain features of this definition, namely, "the original and indestructible properties of the soil," "the share in the wealth produced which the exclusive right to the use of natural capabilities gives to the owner," and "the reduction to individual ownership of natural elements which human exercise can neither produce nor increase," which have been assigned by Ricardo, George, and many others as the cause of rent, are now discarded as errors by most economists, if, indeed, they were ever held by them.

THE RENT CONCEPT

The following quotation from Sir John Macdonell[2] suffuses this economic position as to the original and indestructible properties of the soil with a convincing Oriental light:

"If rent be such, then in no old country of the world . . . . is there much of such a thing as rent, for the natural and inherent properties of the soil have long ago been destroyed, or, if they have not been destroyed, they are not economically useful. Except in the most rudimentary form, agriculture cannot long sub-

[1] *Progress and Poverty*, Book III, chap. II.
[2] *A Survey of Political Economy*, chap. XXIV, p. 327, Edmonston & Douglas, Edinburgh, 1871.

sist without a careful renewal of the properties of the soil. . . . . Why has Sicily, once the granary of Rome, with its meadows producing unexampled returns, sunk into a miserable country, one-third of it barren, or exporting a little olive oil? Why is Palestine, once a land flowing with milk and honey, barren and thinly peopled, the veritable antithesis of that which it is painted by the prophets? Why, to take a still more striking instance of decadence in wealth, have the banks of the Euphrates, which once may have been as fertile as the banks of the Thames, been transformed into baked and parched plains? One agency alone did not accomplish all these changes; . . . . though conquest and misgovernment may have exercised a blighting influence, the present barrenness is principally attributable to the so-called original and indestructible properties of the soil being peculiarly transient, to agriculture being long possible only if the properties of the soil are perpetually renewed. . . . . The Sicilian at last drained the fertility of his milch cow, as Michelet calls the island. When the cisterns that crowned, or the terrace walls that girdled the hills of Palestine fell into ruins, vegetation was parched by the heat of summer, and the soil swept away by the unfertilizing rains of winter. The canals that intersected and watered the banks of the Euphrates were suffered to fill up and a goodly region became "a wilderness, a dry land, and a desert." These are the consequences of trusting to "the original and indestructible powers of the soil."

Mr. Shearman's definition was:

Ground rent is the tribute which natural laws levy upon every occupant of land as the market price of all the social as well as natural advantages appertaining to that land, including, necessarily, his just share of the cost of government.[1]

Is it not a little curious to note that a law of rent plainly stated by Anderson, West, Malthus, and Ricardo nearly a century and a half ago should continue to be defined in the agricultural terms of no rent land, rather than in the urban terms of manufacture and commerce. Perhaps not even all

[1] *Natural Taxation*, p. 116.

economists realize how modern a matter is the cumulative growth of urban rent, which increases almost in geometric ratio. It would seem as though the classical economists were more excusable than their successors in overlooking the importance of this factor. Would it not be an improvement to let the definition stand naturally and squarely like a pyramid upon the ever broadening base of urban rent, rather than try to balance it upon its toppling apex, as it were, of agricultural rent?

The general economic conception of the land tax is largely a compound one, to wit, that it is on the one hand a tax on the fertility value of agricultural land, and on the other, a tax on the site value of urban land. It would seem to need no argument to show a great simplification for both teacher and learner if "site" might here be substituted for "fertility," making a rent-tax applicable to the single attribute of site value only.

The following conclusion is presented for consideration:

On the surface of the globe are countless varieties of exhaustible fertility, i.e., chemical constituency, differing in kind and combination from the nitrogen, hydrogen, oxygen, and carbon of the soil to the carbon of the coal and the diamond. Fertility as an attribute need not be predicated of agricultural land alone. Economic fertility belongs equally to any other land which yields to labor its product whether in food, mineral, or metal. Land may be fertile in wheat, corn, and potatoes. It may be fertile in cotton, in tobacco, or in rice. It may be fertile in diamonds, in gold, silver, copper, lead, or iron. It may be fertile in oil, coal, or natural gas, in water power or water front. The value of artificial fertility is an improvement value. The value of natural fertility of any kind is a site value.

Henry George said:

Rent or land value does not arise from the productiveness or utility of land. It in no wise represents any help or advantage given to production, but simply the power of securing a part of the results of production. No matter what are its capabilities, land can yield no rent and have no value until some one is willing to give labor or the results of labor for the privilege of using it; and what anyone will thus give depends not upon the capacity of the land, but upon its capacity as compared with that of land that can be had for nothing. I may have very rich land, but it will yield no rent and have no value so long as there is other land as good to be had without cost. But when this other land is appropriated, and the best land to be had for nothing is inferior, either in fertility, situation, or other quality, my land will begin to have a value and yield rent. And though the productiveness of my land may decrease, yet if the productiveness of the land to be had without charge decreases in greater proportion, the rent I can get, and consequently the value of my land, will steadily increase. Rent, in short, is the price of monopoly, arising from the reduction to individual ownership of natural elements which human exertion can neither produce nor increase.[1]

That natural fertility is a source of rent has become almost axiomatic, so deeply is the thought imbedded in the economic, as well as in the popular mind; but the later tendency is to question the accuracy of this view and to subject it afresh to a searching and logical analysis.

In the light of such analysis it seems clear that it is only location or site that gives fertility any value it may possess. In many places, soil of any kind (fertile or barren) is of no value. It is only when soil is located in the right place, i.e., when there are people about to use it, that it becomes valuable. Fertile soil in one place is less valuable than barren soil in another. A gravel-bank situated within city limits may be much more valuable than soil suitable for market-gardening.

[1] *Progress and Poverty*, p. 166.

The problem, in each case, is not one of comparative or differential value. It is a problem of positive or independent value, of which proximity appears to be the sole cause. Natural fertility is the constant factor in any comparison; that is to say, whatever element of natural fertility is present in the land today has been there from creation, but the element of proximity is the differential factor that changes with the advance of civilization. Instead of fertility giving value to site, is not the truth to be found in the very reverse statement that it is site that gives value to fertility?

The following is submitted, not as a "consensus" but in perfect confidence that there is no other ground upon which the economic foot can finally rest and be at peace.

If, as economists, we postulate LAND and MAN as the two primary contributors to production, then we are compelled to assume fertility as a necessary and presupposed quality in land, without which land would not be LAND; just as when we speak of MAN we assume intelligence, without which that unfeathered biped would not be MAN. The first factor, LAND, has been the passive factor — what Emerson called "the raw bullion of nature" — present from the foundation of the world, not a square foot having any value until the advent of the active factor, MAN. Varying fertility is an attribute, a part of land itself; as varying intelligence is an attribute, a part of man himself. In short, in economic thought land *is* fertility and man *is* intelligence. That the fertility in the one case, and the intelligence in the other, are unequally distributed does not affect the contention that it is only when the intelligence approaches the fertility that the value of the latter comes into existence.

This issue is pressed upon the reader in the conviction that it is not merely an academic one, but is charged with deep

scientific consequence. It affects the very foundations of a theory of natural taxation. The claim if substantiated that ground rent is a social product leaves no room for the hypothesis that any part of land value is due to natural fertility.

Perhaps the shortest definition of economic rent yet suggested is one already quoted and that is applicable equally to agricultural and to urban land, one approved by the decision of one hundred and thirty-five economist judges without a dissenting opinion. The definition is: ground rent is what land is worth for use.

THE PROPERTY CONCEPT. One of the serious maladjustments of the situation today is the conflicting opinions as to Mr. George's views upon the question of private property in land, these having operated as a serious impediment to the progress of the single tax. Believing that this is the proper place and time, I submit the conclusion at which I have arrived.

In chapter after chapter of *Progress and Poverty,* as well as thirteen years later in *A Perplexed Philosopher,* Henry George reiterates his own and Spencer's error (which both had recanted), viz., that private property in land is unjust and should be abolished.

Notwithstanding his apparent contradiction of expression, it is manifestly due to Mr. George's intellectual honesty to credit him with the same clear conception with which he in turn credited Spencer when he summarized in *A Perplexed Philosopher* the latter's *Social Statics* chapter, viz., "Private property in land, *as at present existing,* can show no original title valid in justice," etc.

In assuming to suggest to students of Henry George, perhaps at a critical period in his change of base from an old dispensation to a new, what seems to me a rational interpreta-

tion of his language, it is ventured to paraphrase the form of argument used by himself in *A Perplexed Philosopher,* chap. II, entitled "An Incongruous Passage." Here he interpolates into the lines of Herbert Spencer what he believed to be their intended meaning. A few moments of careful attention may be time well spent.

In connection with his own misinterpretation of Spencer's passage regarding compensation to existing proprietors, he says:

> Taken by itself, this passage seems to admit that existing landowners should be compensated for the land they hold whenever society shall resume land for the benefit of all. Though this is diametrically opposed to all that has gone before and all that follows after, it is the sense in which it has been generally understood.

This recommendation of Mr. George's that Spencer's specific views on one plank of his platform should be interpreted in the light of his generally known attitude on all other planks, suggests a close parallel between the treatment which he accords to Spencer and the treatment which he, by inference, would have accorded to himself.

By a similar process of interpolation Henry George, in turn, may be made to appear as his own interpreter. For instance, in *Progress and Poverty,* Book VII, chap. I, "The Injustice of Private Property in Land," Mr. George would have said: "If private property in [the economic rent of] land be just, then is the remedy I propose a false one; if, on the contrary, private property in [the economic rent of] land be unjust, then is this remedy the true one." Also on p. 336: "Whatever may be said for the institution of private property in land [as it exists today], it is therefore plain that it cannot be defended on the score of justice." Linking the above ex-

pository innovation to Book VIII, chap. II, we find the following illuminating lines (p. 402):

> I do not propose either to purchase or to confiscate private property in land. . . . . It is not necessary to confiscate land; it is only necessary to confiscate rent. . . . . By leaving to landowners a percentage of rent which would probably be much less than the cost and loss involved in attempting to rent lands through state agency, and by making use of this existing machinery, we may, without jar or shock, assert the common right to [the site value of] land by taking rent for public uses. . . . . What I therefore propose, as the simple yet sovereign remedy, ... is — *to appropriate rent by taxation.*

Thus was to be accomplished the object of his heart's desire — security of improvements without disturbance of land titles.

The broad basis, keynote, and inspiration of *Progress and Poverty* Mr. George found in the doctrine of natural rights — the equal right of all men to land. Taking for his main premise the right of all men to the soil in its original state, he deduced from this premise the right of all men to economic rent. The soundness of this deduction has been in these latter days seriously questioned.

In proof of the wrongfulness of private property in land, as it lies in the private appropriation of ground rent, he puts forward the doctrine of natural rights to land as the premise and basis for the joint right to rent, a form of proposition which he and most of his predecessors in land reform accepted as axiomatic, viz., the equal right of all men to the soil in its original state, from which he deduced the equal right of all men to the rent of land. Since, as Mr. George himself has said, "the primary error of the advocates of land nationalization is in their confusion of equal rights with joint rights. . . . . In truth the right to the use of land is not a joint or

common right, but an equal right; the joint or common right is to rent, in the economic sense of the term," [1] this whole line of argument from natural rights is unnecessary.

In the light of the foregoing question whether or not Mr. George meant to assert that the taking of any part or all of ground rent in taxation would destroy individual ownership in severalty of the land itself does not appear to be debatable. In any event, his assertion cannot make a right out of a wrong. None of his *confrères* in the company assembled in this volume advanced such a proposition. Smith, Mill, Dove gave no hint akin to it. Burgess, Macdonell, McGlynn, Shearman made it no part of their proposed system; indeed no economist can be recalled who has hazarded this view, thus leaving such a position unique by Mr. George's sole occupancy. This fact makes us the more strenuous for an interpretation that shall harmonize with his generally accepted tenets.

In 1872, he wrote in *Our Land and Land Policy:*

> It by no means follows that there should be no such thing as property in land, but merely that there should be no monopolization — no standing between the man who is willing to work and the field which nature offers for his labor. For while it is true that the land of a country is the free gift of the Creator to all the people of that country, to the enjoyment of which each has an equal natural right, it is also true that the recognition of private ownership of land is necessary to its proper use — is, in fact, a condition of civilization.

The ethical justification of the single tax can be derived much more simply. A careful study of the nature of economic rent will show that it arises from the growth and efforts of the community and not from the labor of the landowner. The taking of rent by the community can therefore be put on the

[1] *A Perplexed Philosopher,* chap. xi, p. 242.

simple basis that property rights in any commodity should be vested in the person or persons who produced that commodity. Indeed it is somewhat curious that after devoting so much space to the argument based on natural rights to the land, Henry George himself finally rested his case on this very line of reasoning. At the end of his chapter on the "Canons of Taxation" he says that—

a tax upon land values is the taking by the community, for the use of the community, of that value which is the creation of the community. It is the application of the common property to common uses. When all rent is taken by taxation for the needs of the community, then will the equality ordained by nature be attained. No citizen will have an advantage over any other citizen save as is given by his industry, skill, and intelligence; and each will obtain what he fairly earns. Then, but not till then, will labor get its full reward and capital its natural return.[1]

What better can Henry George's followers do than to make his ultimate their own? Here is a flat contradiction to whatever error is in the "equal rights" argument and the "common property in land" argument. The above is, as it were, a repealing clause. Is it not as though he had said, whatever acts or parts of acts of mine either before or since are in conflict with this act are hereby repealed?

A score of years ago it was my privilege, under criticism, to make public the avowal that in the long run I would prove myself Henry George's most friendly critic and vindicator. Thus I have frequently found myself standing between him and many false and harmful impressions that have operated to his prejudice and to that of his cherished reform. Among these, the insistence upon a full 100 per cent rate, and the abolition of private property in land as Henry George's stand-

[1] The italics are the author's.

ard measures for sound doctrine, have been painfully wasteful and enervating, besides being a standard upon which neither Canada nor Australia nor Germany, nor indeed any other country except the United States, has laid misleading emphasis.

Henry George himself was a persuasive writer and speaker, little given to denunciation. The followers of his teachings who have done him greatest honor have been those who have talked over his principles at their own hearthstones and in their own council chambers, and voted for them at their own hustings, rather than those who by militant intrusion into foreign bailiwicks have aroused and fostered a wholly gratuitous prejudice.

If those devout followers of Henry George who still insist that he should go down to posterity as advocating the destruction of private property in land would exercise his care to avoid misinterpretation, they would thereby better serve him and the reform he so wonderfully expounded.

CHAPTER XI

Taxation and Housing: The Taxation of Privilege[1]

THE housing problem is one aspect of the problem of the distribution of wealth. Howsoever deep the motive which impels the housing movement, its success can be achieved only through the operation of cold unfeeling economic law which shall govern and effect a more just distribution of wealth. Only by its aid can capital, through improved planning and reduced cost of building, bring suitable housing within reach of labor's ability to pay.

The solution of the housing problem is bound up with the conciliation of labor in its alleged conflict with capital, a condition which cannot come about until the distribution of current wealth shall be between the two factors labor and capital, *per se,* instead of as now between these and a third factor, privilege, that is, capital allied with monopoly. In this way only can the fangs of privilege be drawn. Capital of itself has no fangs.

The burden of our contention is that privilege is the bane of the social situation, and that its abatement and gradual abolition should be sought. In proportion as the perquisites of privilege are transferred to the wage fund, in that proportion will the housing perplexity cease to perplex, and there is no point upon which it is more important that the public mind should be clear than upon this.

[1] Paper read at the Fourth National Conference on Housing in America, at Minneapolis, Minnesota, October 7, 1915.

The *Century Dictionary* defines privilege as "a special and exclusive power conferred by law on particular persons, or classes of persons, and ordinarily in derogation of the common right." The popular conception of privilege is that it is the law-given power of one man to profit at another man's expense.[1]

The principal form of privilege is the appropriation by individuals or by public service corporations, without adequate payment therefor, of all or a large share of the economic rent of land, which rent is created by the growth, activity, and expenditures of the community. After this major privilege come the minor ones connected with patents, tariff, and the issue of currency.

"But," you will ask, "how can the treatment of privilege contribute to the solution of the housing problem?" And we answer, "By the gradual abatement or abolition of privilege through taxation." A tax upon privilege has everything in its favor, since it is conceded that such a tax can never be a burden upon industry, nor can it ever operate to reduce the wages of labor or increase prices to the consumer.

The immediate tendency of the taxation of privilege would be to transfer to wages that portion of the current wealth which now flows to privilege. In other words, it would widen and deepen the channel of wages by enlarging opportunities for labor, while increasing the purchasing power of nominal wages through reduction of prices. On the other hand, it would abate privilege by requiring the man who has a privilege to pay for it, the fair inference being that so far as privilege is paid for, it ceases to be a privilege. A betterment of wage necessarily follows the taxation of privilege. An estimate of 50 per cent would be a conservative one of

[1] *The A B C of Taxation*, p. 148.

the betterment to wages which might be secured in this way.

The main approach to a fair distribution of wealth lies along the line of fair wages and fair prices. But what are fair wages and fair prices? Practically and substantially fair prices are prices unenhanced by privilege, and fair wages are wages undiminished by taxation. Under such a *régime* wealth that now goes to privilege will be gradually diverted to the wage fund so that eventually instead of the two channels of distribution, wages (counting interest as the wages of capital *per se*) and privilege, current wealth, that is wealth as it is created, will finally flow into the one channel of wages—wages of capital, of hand, and of brain.

Above and beyond the value of franchise privilege, which in a final analysis is itself a land value, there is one thing, viz., the private appropriation of the net rent of land (total ground-rent less taxes) which constitutes the bulk of all privilege and which is of gigantic proportions. Various careful estimates agree that out of the total wealth of the United States much more than fifty billions of values are socially created but privately appropriated. On a 5 per cent basis this would amount annually to $25 per capita, or an average of $125 per family of five, which of itself explains the constant increase in the cost of living. In large cities where reliable statistics are available, these figures run far higher. The people of the city of Boston pay for the use of Boston land more than fifty million[1] dollars annually. The city now takes of this amount more than ten millions in taxation, leaving about forty millions net rent to be privately appropriated, every dollar of which represents labor value. This would amount to say $60 per capita, or the very considerable sum of $300 per family of five.

[1] *The A B C of Taxation*, p. 18.

So much for the thing to be done, but how about a *modus operandi?*

Not only have presidents spoken and written freely on the abridgment of privilege, but many proposed government measures have been aimed at its accomplishment. Without invading the field of politics, we may note that republican Wall Street and democratic Tammany, the chief exponents of non-partisan privilege, were simply evicted from the Baltimore Convention, and many administrative achievements so far have been in keeping with that initial action.

Congressional Trust bills have sought not to curb business but to curb privilege. The fall of New York, New Haven & Hartford from 279 to 43 in the Wall Streets of the country means little to the traffic or the travel of the people who use the road. The railroad still remains and its legitimate business remains. It does mean everything to the stock market, the dealers in privilege, to speculators in and forestallers of labor and skill and brains. Administrators keep right on "running the road," however many the millions that may have been filched from widows and orphans, or however many manipulators of privilege, posers as benevolent patrons of enterprise, may go to the wall. Every curb to privilege means relief to labor from payment of dividends on water. Every abridgment of privilege means just so much carried to the credit side of the wage account, and this it is that has immediately to do with the housing problem.

The record of the national administration so far affords striking indorsement of the Jeffersonian principle of "equal opportunities for all, special privileges to none." This is what states and statesmen ought to mean by "equality before the law." Without this, "equality before the law" is a juggling phrase. Only so far as privilege is expunged from the statute

can there be any approach to our vaunted "equality before the law."

People are awakening to the fact that for enormity of proportions, for unconscious, unintentional but aggravating injustice, the private appropriation of ground rent is more devastating than all other privileges put together, and is "against public policy." Think for a moment what have been the extensions, accelerated exploitations, ramifications, and encroachments of privilege in the brief period of fifty years; how it has battened upon the fruits of labor which ought in justice to have gone to the nourishment of labor. What is needed is a distinct change of tendency. Agitation in this direction has been under way for some years, and during the twelve months past it has penetrated or inoculated almost every business field, up to the dead line at which every reform halts, viz., the land, which seems to be the sacred stopping-place in the advance upon every social enemy. The significance of this fact appears to have escaped the attention even of non-privilege presidents. When people outgrow the pagan fetich that the rent of land should go to the few instead of to all, when they realize that, taking Boston for an example, the worship of this fetich costs its people annually not less than $300 or $400 per family — five or ten times more than the worship of the true God — then monopoly's line of battle will vanish like the morning dew.

Under the tax laws of today every Boston man as occupier bears an equal yearly tax burden on the house he lives in at the rate of $18 per thousand. Why should not the owner of Boston's land bear the same tax burden at the same rate of $18 per thousand upon his investment now confessedly free of the burden, thus putting the house man and the land man on the same basis, that is to say, proportionately reducing the

income of each? To the above extent taxation may be applied for the solution of your housing problem at once, and without a shadow of injustice to the landowner. Such impartial rate on house-owner and landowner, of which a generation of even limited foresight might easily have given us today full realization, would mean twelve million dollars more of economic rent (or say $80 per family) to the good of the people of Boston. Fifteen or twenty years would be ample for the gradual accomplishment of the rectification of things, and landowners, especially considering the exemption of their improvements, would scarcely be aware of the change.

Let it be borne in mind that we have been speaking of the ultimate possibilities of the taxation of economic rent, "the taking by the community for the use of the community of that which is the creation of the community." It is claimed for this process that it will gradually effect the lockout of privilege while unlocking to labor the doors of opportunity. Reflect for a moment upon what it would mean to labor if Boston should make an intelligent and earnest start to renew the imperfect housing even of its business, to say nothing of its people. We are trying to present to your prophetic eye the final beneficent results which a just tax system can be trusted to work out without any overturn to person or institution or society. No sudden shock is contemplated, but rather respect for the feelings of the landowners, from whom as a class a full share of help may be counted upon. This general plan, if adopted, will, it is believed, directly set in motion two tendencies: (1) the reduction of harmful monopoly to a point of innocuous "privilege," (2) the enlargement of the wage fund to a point of fair proportional distribution. Just at what point these opposing tendencies will meet in stable equilibrium only time can tell. The vital thing is to lose no time in begin-

ning. There is no reasonable excuse why a start should not be made directly in this year 1916. A generation ought to work wonders. We are sometimes met, however, by the sober question, "Where is the housing capital to come from?" Naturally it should come out of a superabundance of its own by which it would be self-constrained to broaden and extend its field of investment to include the humblest of housing. As fast and as far as capital's field of investment is narrowed through the restraint of privilege, just so far will it have to find a way, or, what is more in keeping with its responsibilities, *make a way* to occupy itself in the very necessary dividend-paying but now neglected work of housing the millions, the easy accomplishment of a generation or two. We may confidently look to a new incidence of taxation to enable the millions to pay the actual ground rent of the land and interest on their houses. Today they are not able to bear monopoly charges and needless taxes upon houses.

The habits and limitations of capital are patent even to the casual observer. Its first preference is for land speculation, including natural resources, franchises that are addicted to extra dividends, and the watering of stocks. Already an oleaginous hand of the capital octopus is plainly apparent in business consolidations. The first direct attention of capital to the housing problem is of comparatively recent date and has resulted, in Boston, in the seemingly complete solution of the problem of "office" housing — in a complete hegira of tenants from chambers and garrets that were out of date even in ante-bellum days, to quarters of perfect modern comfort and utility. But at this stage capital seems to have halted for rest and refreshment. Here, again, Boston has a ready explanation in that office buildings offer a tempting rent roll at comparatively small land investment.

Up to now, capital, it may be said, has had little to do in the way of looking around for jobs. Individuals have had to do the searching. When the New York, New Haven & Hartford Railroad and many other wide-open doors to big investments and big profits begin to shut by legislative compress, then capital, by pressure of its own accumulation, may, after the housing of general business, turn to the humbler employment of the housing of its artisans and laborers. The increased taxation of land will operate as a double incentive. It will invite capital to a sound investment at a fair rate of interest; it will also constrain it to make improvements in order to secure income from the land out of which to pay the land taxes.

The housing of Boston's general business, which requires comparatively less capital but still more brains, is just now beginning to receive attention. Chicago has one model department store, Marshall Field's, model because it has room. There are but few notable model department stores in the cities of the United States because room cannot be had except at exaction prices in dealing with one or twenty estates. Nine-tenths of Boston's mercantile business is still literally fighting for room to expand.[1] Much of Boston's business is still housed behind, as it were, portable or shifting galvanized outsides.[2] In the apartment and tenement housing is found a parallel to the housing of business.

After providing the well-to-do apartment house (without children) and the moderate tenements, capital shies at working down to the foot of the list, but leaves the finishing stroke, the housing of the humblest laborer, as a problem for society and the social worker to solve. There is one rule that capital

[1] *The A B C of Taxation*, p. 150.
[2] *Ibid.*, pp. 60–61.

may be trusted to follow, viz., that while it can get a double or treble rate on its present investments, it will lack the incentive to supply a new housing which demands a double investment at half the rate.[1]

For the satisfactory solution of this problem, the housing of the millions, there is required the same kind of money, but still more brains, coupled with public spirit and civic pride which, by the gentle compulsion of a rectified self-interest will force capital into the rôle of a model landlord in providing for tenants at lowest possible price the best accommodations and facilities appropriate to the situation that money can buy, example of which is found in the hotels of the D. O. Mills foundation in the city of New York. In this consummation, the landlord will find in taxation a valuable ally since, with purchase prices of land reduced by the increased taxation, he can do a larger business on the same amount of capital.

The proposal of a method of just, scientific, and natural taxation is so simple and unpretending, that eager social reformers cannot believe it possible that it contains within itself a cure for the evils of our time. They point to the unequal distribution of wealth, the growth and power of monopolies, the watered stocks and bonds, the bribe-bought franchises, the usurped privileges, the stolen lands, the wholesale appropriation of public property to private use; and they ask how it can be possible that "a mere fiscal reform" can bring relief from all these evils. Nevertheless, we have tried to show that it can.[2]

A liberal contribution to the solution of the housing problem may be looked for in the reclamation of the people's rights to their alienated public lands. The public domain has now

[1] *The A B C of Taxation*, pp. 58, 59, 60, 70, 77.
[2] *Natural Taxation*, chap. XIII.

been practically absorbed into private hands. The Supreme Court has just confirmed a railroad's title to three or four billions of dollars' worth of California land, but no Supreme Court can exempt such land from equal taxation under any general system. Taxation is the wide-open avenue to the recovery of a nation's or a state's squandered natural resources. With an anti-privilege president on the congressional bridge, and the National Housing Association at the wheel, the Ship of State may beat steadily into the coveted haven of every nation's destiny — the welfare of its millions.

CHAPTER XII

Thirty Years of Henry George, with a Record of Achievements

IN 1879 Henry George in California wrote *Progress and Poverty,* a book which met with a wide sale and general review, especially in the Australasian and Canadian dominions, as well as in Scotland and England, with early translation into German. The principles of the single tax had been clearly stated as early as the latter part of the eighteenth century, but Mr. George was the man of all men up to his time to expound, exploit, and advertise the doctrine in full and logical sequence. Practical agitation of this reform dates from the appearance of *Progress and Poverty.*

In 1882 Mr. George stumped Ireland, and again in 1884 made a three months' tour throughout Great Britain, speaking in the principal cities to large audiences, and making a strong impression. In 1890 there followed a nine months' trip to Australia and around the world.

Great reforms can usually be traced to their ultimate sources in the thought and utterances of great men, and it appears that from the seed sown during these tours there sprang the English movement for land taxation. It is particularly interesting to note that it was less than two years after Henry George's visit that New Zealand began to enact tax laws looking to the concentration of local taxes upon the land. In England, Germany, Australasia, and Canada, the last fifteen or twenty years have seen important changes in the

methods of taxation, which single taxers may justly consider advances in their direction.

I. BRITISH COLUMBIA[1]

Of the nine Canadian provinces, three have taken important steps toward the single tax. In British Columbia provincial revenue is still derived from poll, property, and income taxes; but since 1891 municipalities have been permitted to exempt improvements from taxation in part or in whole. Since 1892, in fact, municipalities have not been permitted to assess improvements at more than 50 per cent of their actual value. Under the authority thus granted, all the important urban and many rural municipalities now exempt improvements, thus raising practically all local revenue from land. The following cases furnish the best examples of this tendency:

Burnaby. — A municipality bordering on Vancouver, has from its incorporation in 1892 totally exempted improvements from taxation. The rate on wild lands is practically double that upon improved lands.

New Westminster. — Adjoining Burnaby, oldest municipality in the province, chartered in 1860; improvements exempted from taxation in 1911 by a vote of 248, against 98. Ratification by a vote of the Council unanimous. Population over 20,000; valuation of land, $16,600,000.

North Vancouver. — Incorporated in 1906, when it was set off from the District of North Vancouver, which during its existence of over twenty years has never taxed improvements. The city of North Vancouver in 1911 assessed land at

[1] The facts concerning Canada have been taken largely from the "Vancouver number" of the *Single Tax Review*, May-June, 1912 (150 Nassau Street, New York); and *Provincial and Local Taxation in Canada*, by S. Vineberg (New York, 1912).

$9,400,000 and improvements at $1,420,000, or nearly double the valuation of the previous year.

Point Grey. — A residential suburb of Vancouver, seat of the University of British Columbia, population in 1911, 30,000; incorporated as a municipality in 1908; improvements exempted from taxation. Wild lands taxed at a rate nearly double that on improved lands.

South Vancouver. — Population 30,000; incorporated as a municipality in 1892; 50 per cent of improvements then exempted from taxation. Improvements totally exempt since 1903.

Vancouver. — Population in 1914 about 110,000; value of land $150,000,000; improvements $76,000,000. Terminus of the Canadian Pacific Railroad; has one of the finest natural harbors in the world, and is the chief shipping port for Japan, China, Australia, etc. Largest city of the province. In 1896 50 per cent of the value of improvements was exempted from taxation. Ten years later in 1906 the exemption was increased to 75 per cent. In 1910 the exemption was made complete. L. D. Taylor, then Mayor of Vancouver, says of it:

> From the beginning the cities of the Canadian West have taken the initiative in promoting the single-tax policy by putting it into actual operation, while other municipal governments have not reached beyond the theoretical. Vancouver's policy of valuing land at full capital value and improvements at only 50 per cent, thereby taxing building only half as much as sites, was adopted long before the single-tax leaders had begun their campaign of education that today reaches around the world. And so satisfactory was this first experiment that when the further reduction of 25 per cent was made, so as to tax the capital value of improvements only one-quarter as much as that of sites, the opposition was so small as to be scarcely worth taking into account. The last step taken — the adoption of the single-tax system in its entirety — has placed Vancouver in the unique position of being the only city of metropolitan size on the continent to elect a municipal government on a single-tax platform.

Victoria. — The capital of the province; population over 30,000 in 1911. After exempting 25 per cent of the value of improvements from 1894 to 1896, and 50 per cent from 1896 to 1911, Victoria made the exemption complete in 1911. The assessed value of land in 1913 was $89,000,000.

II. ALBERTA [1]

In this province the term "town" refers only to such places as are incorporated as towns under a Town Act. It does not include villages or rural municipalities. Rural municipalities were first organized in 1912, and were required without exception to levy their taxes on land values only. Fifty-two were established during the first year. Ninety-seven of the ninety-eight villages and forty-five of the forty-seven towns existing in 1914 were required to tax land values only. This being a very new country, the number of rural municipalities, villages, and towns is rapidly increasing.

Until 1913 the provincial taxes in Alberta were confined practically to taxes on corporations, railways, and inheritances. In that year, however, the province passed what is apparently the first unearned-increment tax law to be placed upon an American statute book. By this law the provincial treasury at transfer takes one-twentieth of all increases in urban land values. In 1914 the province decided to meet its war quota by levying a tax on wild lands at the rate of ten mills on the dollar. In 1915 the province received about $1,500,000 from the proceeds of this tax.

Several cities and many villages, under authority granted them, have for years exempted improvements or assessed them at part of their value only. In 1912 the province enacted

[1] On Alberta, in addition to references previously given, see *Single Tax Review,* September-October, 1911.

three laws, practically without opposition, requiring the towns, with two exceptions, all rural municipalities, and all villages, to raise their local revenues exclusively from taxes assessed upon land according to its actual cash value.

The six cities in the province have special charters which grant them wide discretion in taxation. Edmonton and Medicine Hat tax land only. The other four are gradually changing their methods with a view to abolishing taxes on improvements within a few years. The city of Red Deer has a small business tax only in addition to the tax on land.

Edmonton, which in 1914 had a population of about 75,000, has exempted improvements since 1904. It also controls all public utilities, owning and operating water works, electric lighting and power plant, street railways, and a telephone system.

III. SASKATCHEWAN

In all rural municipalities land values alone are taxed. In 1914 these municipalities began to levy an additional tax about 6¼ cents per acre on uncultivated lands, with the object of discouraging speculation.

Cities, towns, and villages formerly assessed improvements at 60 per cent of their value. In 1908, however, villages were permitted to confine taxation to lands, excluding improvements, and no less than thirty have already availed themselves of this opportunity. In 1911 a law was enacted fixing 60 per cent as the maximum percentage permissible, and authorized cities and towns to reduce the assessment of buildings below this figure, by not more than 15 per cent per annum. Regina, the capital city, at once took advantage of the act, so that in 1915 buildings were entirely exempted from taxation. Practically all the towns and cities are following the same policy.

The movement for the exemption of improvements has spread eastward into Manitoba and Ontario. The rural districts of Manitoba confine taxation largely to land, and the capital, Winnipeg, since 1909, has exempted one-third of the value of buildings. In Ontario three hundred municipalities have petitioned for power to reduce taxes on improvements. By 23 to 1, the Toronto City Council, in January, 1913, submitted to the citizens the question of exempting buildings, whereupon the citizens voted in the affirmative 4 to 1.

IV. NEW ZEALAND[1]

Since 1891 New Zealand has levied a separate tax on land values which in 1915 was at the rate of 1*d* in the pound of the unimproved value. In addition to this ordinary tax on all land, from which only estates worth less than £500 are exempt, New Zealand also imposes a graduated tax on large estates. The purpose of this graduated tax is to break up the large estates which obstructed the growth of the country. The tax begins with a rate of 1/32 of a penny in the pound for estates worth £5,000, and increases to 5⅝*d* per pound upon estates valued at £200,000 or more. To a considerable extent this graduated tax has accomplished its purpose.

Prior to 1896 local taxes had been levied upon either the capital value or the income of real estate, as each locality might elect. The law of 1891 imposing a state tax on land values, exclusive of improvements, called attention to the desirability of permitting local governments to raise their taxes in a similar manner. Accordingly in 1896 local bodies were empowered to levy their rates on the unimproved value of land, if they so desired. By 1915 not less than 132 districts had adopted

[1] See the "New Zealand number" of the *Single Tax Review*, September-October, 1912, and *Land Values*, June, 1915.

this method of taxing land values, and a British Parliamentary Report of 1906 showed that the result had been satisfactory at every point.[1] Concerning the working of this method the Commissioner of Taxes of New Zealand wrote in 1906: "The tendency of this system of taxation is not to increase rent, but, on the contrary, as the tax becomes heavier, it tends to bring into beneficial occupation land not put to its best use, and so reduces rents, the improvements being free from all rates and taxes."

V. NEW SOUTH WALES

New South Wales introduced a state tax on land values in 1895, and subsequently extended this method of taxation into local finance. The following statement recently signed by 90 mayors and aldermen shows the success of the system:

> It has reduced the rates of a very large proportion of the ratepayers, although we are raising a larger revenue. It has stimulated the building trade, employment is more constant, and business generally is on a much sounder footing. It has induced a number of ratepayers to build, or dispose of land which they were not able or willing to use themselves. . . . . It specially benefits those ratepayers whose use of land is most effective and creditable to the municipality, while it has put effective pressure upon a number of owners of idle or partly used land to change their tactics.[2]

It is not surprising, therefore, that in 1915, with a few trifling exceptions, the 189 local authorities imposed their local rates exclusively upon land values.

VI. SOUTH AUSTRALIA

South Australia introduced a state tax on unimproved land values in 1884, at the uniform rate of ½*d* in the pound. Ten

[1] *Papers Relative to the Taxation of the Unimproved Value of Land in New Zealand, New South Wales, and South Australia,* Cd. 3191 (1906).
[2] *Land Values,* p. 19 (June, 1915).

years later an additional ½*d* was imposed on estates valued at more than £5,000, and upon estates owned by absentees an additional tax was levied at the rate of one-fifth of the tax otherwise payable. Though intermediate changes have been made, the rates of 1884 and 1894 now stand. One-fifth of the tax revenue of the state is obtained from this source.

More recently South Australia has authorized local governments to impose their taxes upon land values exclusively, exempting not only buildings, fences and drains, but all forms of personal property.

Eight municipalities have adopted this system and it is hoped that others will follow.

VII. OTHER AUSTRALIAN STATES

Every state in Australia except Queensland now has in some form a state tax on land values. Queensland raises its local revenues wholly from taxes on land values; while Western Australia and Victoria have made a beginning in this direction.

VIII. THE COMMONWEALTH OF AUSTRALIA

In 1910 the federal government of Australia adopted a federal tax upon the land value of all estates having an unimproved value in excess of £5,000. The constitutionality of this act was assailed before the High Court of Australia, but without success.

In spite of the high exemption provided for by the law and the difficulties of carrying out the valuation and assessment over the whole extent of Australia, the tax has yielded more than £1,300,000. Since the beginning of the war the

land tax has been increased to yield £1,000,000 additional revenue.

IX. KIAO-CHAU [1]

The first of the recent German experiments in taxing the unearned increment, and the one which pointed the way for others, was made in the model German colony of Kiao-Chau which was established in 1897 in China. The land and tax ordinance of 1898 imposed a tax of 33⅓ per cent of any increment of value accruing thereafter to private purchasers of lands acquired from the government. The purpose was to check land speculation, insure to settlers a reasonable price for land, and secure for the government part of any future increment due to the large expenditures made in establishing and developing the new colony. Provision was made for a land tax of 6 per cent on the value of land, exclusive of improvements, and a tax on land sales at auction. This ordinance suddenly and unexpectedly realized the German land reformers' program, in a German colony under the direct control of the imperial government. It naturally aroused great interest in Germany, and soon led to attempts to tax the unearned increment in various German cities.

X. GERMAN CITIES

The Prussian law of 1893, regulating local taxation, authorized local governments to introduce an important change in the taxation of land. Prior to that time land had been taxed upon its estimated yield, with the result that land held for speculative purposes was very lightly taxed. The law of 1893 authorized localities to change the basis of assessment to the capital value of the land, a change which has been made by

[1] See article by Dr. W. Schrameier in *Single Tax Review*, March-April, 1911.

several hundred local governments in the face of hostility of speculators and large landowners. The change has worked well in other respects, and has materially increased the taxes paid by unimproved land.

The second step in the direction of heavier taxation of land values has been the introduction in many cities of special taxes on the unearned increment, modeled after the ordinance of Kiao-Chau. Such experiments were found to be authorized by the Prussian law of 1893 regulating local taxation, and since 1904 several other States have taken action in this direction.

Among the cities Frankfort and Cologne took the lead, introducing increment taxes, respectively, in 1904 and 1905. Their example was rapidly followed by scores of other places, including most of the large cities, until by 1910 the increment tax was in operation in 457 cities and towns and was yielding a substantial revenue. The rates of taxation ranged from 1 per cent to 25 per cent of the amount of the increment.

XI. THE GERMAN EMPIRE

In 1911, after two years of discussion, the German Empire introduced an imperial tax upon the unearned increment. This law imposed a progressive tax, increasing according to the percentage which the increment bore to the original value of the land. Then it took 10 per cent of the increment when that amounted to 10 per cent of the original value, and increased 1 per cent for each additional 20 per cent of increment until it reached 19 per cent on increments ranging from 170 per cent to 190 per cent. From that point it increased 1 per cent for every additional 10 per cent of increment, until it reached 30 per cent on all increments of 290 per cent and over.

This imperial tax was intended to unify the taxation of the unearned increment throughout the Empire and replaced the

local increment taxes. To compensate the cities for the revenue thus lost, the law provided that 40 per cent of the product of the imperial increment tax should be apportioned to the local governments; while the states were given 10 per cent and the Empire retained 50 per cent. Authority was granted, however, to impose additional rates for local purposes; so that some measure of local option was retained.

In 1913, under pressure of added military burdens, a readjustment of imperial and state revenues was brought about. The unearned increment tax was given back to the state and local governments, and for the benefit of the imperial treasury a new tax, imposing a moderate rate on all increments, earned as well as unearned, was established.

XII. GREAT BRITAIN

The now famous Lloyd-George Budget of 1909, which finally became a law in 1910, imposed four different taxes upon land, which marked a long step forward in the taxation of land values. The first, and most discussed, was the so-called increment-value duty. This imposes a tax of 20 per cent upon land increment arising after 1909; which shall be payable by the owner when land is sold, leased for more than fourteen years, or transferred at death. Land held by corporate bodies and not changing hands shall pay the tax every fifteen years. The tax amounts to 20 per cent of the increment that shall have accrued since 1909, or the last time that the tax shall have been paid. To carry the law into effect it was necessary, of course, to provide for a full valuation of all the land in Great Britain, in order to determine its value, exclusive of improvements, in the year 1909. This work is now under way; and it will result in a monumental survey comparable to Domesday Book.

The second tax is the reversion duty, which imposes a tax of 10 per cent on the increment or benefit accruing to any lessor at the expiration of a lease. Agricultural land is exempt, and leases for twenty-one years or less are also excepted from the operation of the reversion duty. Reversions purchased before 1909 are exempt provided the lease expires within forty years from the date of purchase. Finally provision is made that reversion duty shall not be paid in respect to increment or benefit upon which increment value duty may have been paid.

The third tax is the undeveloped land duty which is payable annually by the owner of undeveloped land. Its rate is half-penny in each pound of the site value of such land, the value to be ascertained in 1909 and each fifth year thereafter; and proper allowance will be made for increments of value upon which increment duty may have been paid. Land is to be considered undeveloped if not built on or used for some business other than agriculture. Various exemptions are granted, for instance, to land, the site value of which does not exceed £50 per acre, land kept free from buildings in pursuance of some definite plan of development, and parks, gardens, or open spaces to which the public has access.

The fourth tax is the mineral rights duty, which is levied annually at the rate of 5 per cent on money received by owners for the right to work minerals and for way-leaves. If the owner works the minerals himself, he is required to pay upon what he might have received in rents or royalties.

Since the land valuation has not yet been completed the financial importance of these new taxes cannot be determined. They are very important, however, in establishing a principle and in requiring a valuation of all the land of Great Britain. When the valuation is completed it is the intention of the tax

reformers to move for a reform of local taxation, by which local rates shall be levied exclusively upon land values.

XIII. UNITED STATES

Much progress has been made along administrative lines toward the exemption of improvements. Legislation, moreover, has been enacted in Colorado and Pennsylvania. In 1913 the city of Pueblo, Colorado, taking advantage of the home rule amendment of 1912, amended its charter so as to provide for the exemption of improvements to the extent of 50 per cent the first year and 99 per cent thereafter. In 1913 Pennsylvania passed a law, which applies to Pittsburgh and Scranton, providing for the eventual reduction of the rate on improvements by one-half.

While further advance of the movement in the United States is handicapped in most states by legislative constitutional restrictions, it is probably true that a larger percentage of ground rent is reclaimed by the community through taxation in the states of Massachusetts and New York than in any other territory in the world. Yet in contrast with these gradual British and colonial attainments, the record of the United States for actual achievement is a comparative blank. This condition in the birthplace and home of the great expounder himself is not easy to account for, except in so far as constitutional requirements of uniformity prevent experiment. In England the fact that the land question has long been far more acute than it is in the United States has had much to do with the more rapid progress of the single tax. The concentration of land ownership in England is unparalleled in the United States. The irritating spectacle of enormous entailed estates, with large areas held for game preserves, and the practical

exemption of land from all local taxation, has fomented a state of public opinion favorable to single-tax ideas. In the British colonies, the movement for the single tax may be explained in part by reference to the peculiar texture of the colonial mind. The colonists are extremely hospitable to new considerations and receptive to new conclusions, if only they appear to be sound. Charged with building new dominions, they unconsciously join hands for the realization of what seem to them the best things in government and state.

More important, however, than any other factor in the practical results of the two cases is the difference between the English and the American methods of procedure. In the British Empire the voters begin at once to discuss among themselves and within themselves the advantages of the land tax, and straightway, by the very cohesion of a common thought, they set about to get it with, as it were, one heart and voice, by enactment of land laws. In this country the voters are of a different type; they are mostly too busy to concern themselves with making even their own laws. Consequently the cause has been consigned to scattered organizations, which have proceeded to discuss the theoretical possibilities and impossibilities and probabilities of every phase of the land-tax question, combined with other questions more or less related, to the end of the catalogue. To a world hungering to know of the doctrine of Henry George a great and efficient lecture bureau bearing his name offers, in a prospectus of forty-one lecturers with eight topics that are pure single tax and ninety-two that are not, a composite menu of such conflicting merit, taste, and relevancy that most of the inquiring guests leave the table with small desire to come again. Mr. Thomas G. Shearman lamented that "in all times it has been the misfortune of reforms that some of their advocates have made it impossible

for others to do any effective work for them, for considerable periods. . . . . At this time the professed friends of every reform in which I am much interested have insisted upon mixing it with retrograde movements or have adopted a policy of bitterness and vituperation or have thrown it entirely overboard."

This hectic discussion which, it must be admitted, does not enlist a mind of the serious English type, has been perpetual in club, in league, on lecture platform, by spokesmen and organs, until the conclusion seems unavoidable that in American centers the more numerous the militant single taxers, the less progress toward the single tax. The record to date in our own country, adjoining the very domains of greatest advance, presents an unenviable contrast. Thus, at the end of a quarter of a century succeeding the George revival that followed his candidacy for mayor of New York in 1886, there is no organized body of people in the United States pledged to the propagation of his doctrine as he taught it. So far as these sporadic methods have prevailed, some have been a positive hindrance and detriment because they have accomplished nothing upon their own desultory lines, but — what is of infinitely greater import — they have, by keeping the cause in discredit with the mass of thoughtful people, estopped anything akin to the English movement. Perhaps one of the greatest impediments to the popular consideration of the single tax is the misconception that it involves the abolition of the institution of private property in land. In this connection it is significant to observe that in none of the "achievements" noted above has the economic argument for the proposed tax reform been tainted with any suggestion for the destruction of the private ownership of land.

If any one thing is prominently in evidence, it is that the

formal combination of the single tax with political action and methods has been uniformly disastrous to the single tax. When *Progress and Poverty* was scarcely three years old, its author, under the auspices of Patrick Ford and the *Irish World,* was drafted into the service of the Irish National Land League to share with Parnell and Davitt and Dillon and O'Kelly their platform, arrest, and jail, in an Irish maelstrom that ended in Fenian outrages, with later an inside view of two Irish bastiles, until Henry George wrote, "The whole situation is very bad and perplexing. The Land League on both sides of the water seems to me to be smashed." Meantime the "remedy" of Henry George, as applied in Book VIII of *Progress and Poverty,* had not been at all in issue. Henry George was called to Ireland, not to preach union upon his own peculiar doctrine, but to boom conflicting views of nationalization by purchase, abolition without compensation, etc. "With all leaders save Davitt and Brennan hostile to him in principle, Henry George felt increasingly lonely in the Irish movement." Not a point was scored then or since for the single tax, in respect to which the Irish movement to date has been a retrogression rather than an advance.

In this case of Ireland, Mr. George and his *Progress and Poverty* were widely advertised, but this advantage, such as it was, was far more than offset by a lowered moral plane, especially when a fresh single-tax "flag for all nations" was bedraggled in the mire. It is difficult to see how this Irish experience could have otherwise than marred the prestige of *Progress and Poverty* and its author, who was at this time "next to Gladstone the most talked of man in England," and at this sober distance we may be excused for sympathizing with his venerable parents, whom he was called to mourn at this time. "They had died when their son Henry was get-

ting, so far as they could see, as much blame as praise from the world." The peril of the single tax in England today, as it was in Ireland, lies in trying prematurely to make it a political issue, instead of letting it win its own way.

The supreme political event in Mr. George's life was, of course, his first candidacy for mayor of New York. The labor unions united upon him, not as a single-tax candidate on a single-tax platform, but in the hope that his fame might win out for them. Roosevelt had 60,000 votes and George had 68,000, while Hewitt obtained 90,000 and was elected. The failure to receive a majority of votes did not represent all of Mr. George's loss. He lost infinitely more through campaign misrepresentation, vituperation, and distortion of his doctrine by ignorant but well-meaning friends as well as by foes. It must be a bold historian who would venture to say that Henry George and his cause stood any higher with the world after than before this bitter campaign.

Again, the following year found him the hopeful candidate of the United Labor party for secretary of state, in confusion and conflict, especially with socialist persons and parties. The Republican and Democratic candidates, without particular canvass, received 459,000 and 480,000 votes, respectively. Mr. George, with a thorough canvass, received 72,000 for the state and 38,000 for the city of New York as against 68,000 only a year before. This inflation and collapse, in one short year, of a political party movement, did not look like victory for a great economic truth, and yet the confident assertion was made that the "hand of the Lord" was in it. No one recalled that the Lord was not in the whirlwind or in the earthquake or in the fire, but in "a still small voice"; no one protested that in order to usher in a heavenly reform it was not necessary first to "raise hell."

The Delaware campaign begun in 1895, in which Philadelphians, with the cooperation of Mr. George, Mr. Garrison, and the leading speakers of the cause, aided by liberal contributions in money, essayed for more than two years to carry that state by election, for the single tax proved a disappointment and has had no effect upon subsequent legislation. The year 1897 found Mr. George again a candidate for mayor of New York, but upon a platform in which his own peculiar doctrine was not given the recognition of even a single plank. Henry George's campaign was ended by his death, to which his friends saw he was foredoomed, while the most confident predictions of the great prophet, as well as of many a minor prophet, still lacked fulfilment, and indeed remain lamentably unrealized to this day.

Recently political methods have once more been invoked in connection with the expenditure of hundreds of thousands of most generous money and much vigorous and unselfish effort by speakers and organizers to carry elections in Missouri, Washington, Oregon, and other parts of the country. With what result? — that today in those regions the press is closed and the farmers' minds are closed, and that both will be so much the harder to open in future. Can any Englishman be blamed for concluding that if Canada had been subjected for the last twenty years to the mode of procedure which has prevailed in the States, she would not now stand as she does at the head of the single-tax column?

We have thus passed in brief review a series of vigorous American political movements extending over thirty hopeful years, and yet today, while gratifying economic harvests are being reaped upon British soils that have been patiently and yet quietly tilled, not an achievement is registered for the American method, which so far has consisted mainly in lining

men up on every other issue except the specific teaching of Henry George.

In conclusion, it cannot be gainsaid that the political method as a means of putting the single tax on the statute books has been abundantly tried and found wanting, and the reasons for its failure are not far to seek. Voters cannot be persuaded to decree an important legislative innovation which they do not fully understand and concerning which it is easy for the opposition, in the heat of a campaign, to deceive or confuse the mind. Moreover, the inevitable mingling of extraneous issues and personal interests with the economic point which is sought to be enforced, is certain so to obscure the single tax in any political contest that it must fail to obtain the consideration necessary to a fair verdict at the polls.

So much for what ought not to have been done; and now what is it that ought to be done? In answer, it may be said that the sum total of experience in the thirty years under review enforces the conviction that persistent education of the masses and the classes — by word of mouth and still more effectively by the printing press — upon the pure issue of the single tax as the normal and just basis for obtaining public revenue, is the true means and method of advancing this or any other great reform. To sow the clean seed broadcast and to give time and opportunity for its unforced growth in receptive minds, this is the one irresistible, because unresisted, *modus operandi* — this is the surest as well as the shortest path to the triumph of that economic justice which will solve our economic problems.

CHAPTER XIII

Henry George and the Economists

THE mutual attitude of single taxers and professors today may not be easy to define, but the topic would furnish to those concerned what Horace Greeley was wont to call "mighty interestin' readin'." Unquestionably, there has been among the professional economists a tendency not so much to attack as perhaps to ignore the single taxers. Among the various causes for this attitude one might be assigned as a certain pronounced air of bumptiousness often observable on the part of single-tax advocates. To this extent, without doubt, single taxers themselves will confess it to be their own fault if the professors are not enamored of them. Jealous for their champion and sharing his sensitiveness to the indifference of the professors, single taxers have allowed themselves even in scattered times and places to generate and foster a spirit of animosity sufficient to keep the opposing lines well defined. The following letter from Harold C. Goddard, Professor of English Literature in Swarthmore College, is to the point:

> I have long been interested in Henry George and the single tax, and I have come to the conclusion that one of the greatest obstacles in the path of this proposed reform is the single taxer who regards the single tax as a panacea, a scheme which, could it be adopted, would automatically solve the principal problems of humanity. This type of single taxer is generally a man of intolerantly dogmatic and doctrinaire spirit; and since the doctrinaire spirit is the very antithesis of the scientific and creative

spirits, upon which we must rely for both national and international harmony, any reform which such a man supports runs the risk of encountering the skepticism of the wise. When there are fewer of these doctrinaires, no one will be more surprised than the single taxers themselves by the sudden accession to their ranks of hundreds who, long since convinced of the truth of nine-tenths of the single-tax platform, have shrunk from wearing the label "single taxer," lest the inference be drawn by the public that, because they believe in the single tax, they are no longer free to believe in anything else.

It cannot be denied, as reports have shown, that single taxers frequently have been inconsiderate of the feelings of the professors. On the other hand, who is there that can furnish any consequential list of professors who have attacked with any degree of asperity Henry George or his particular theory of taxation?

Militancy is not without distinguished apologists. There are people who believe that whatever is good in the world should be fought for. Peaceful people hold that in a fight the thing fought for is apt to be lost sight of, and that the truth conquers in spite of the fighting. In most fields of reform, however, there are plenty of fighters who can be trusted to live the gospel they profess. Indeed, reformers as a class esteem it the natural course to fight the common enemy, often to fight among themselves. Single taxers are no exception. All their official organs and their advocates, with few exceptions, are heralded to "fight" for the cause, and they do it.

It would be interesting to know if there be any considerable number of the many public lecturers and speakers for the single tax who have not at some time spoken slightingly of an economist or of his profession, or what single-tax organs have not frequently or infrequently written disparagingly of the professor of political economy.

Scholastic discussions, unless carefully guarded, are likely to leave a bad taste in the mouth. By a hasty or inconsiderate word a battle of principles may degenerate at once into undignified personalities. For example, in a notable foreign instance, a certain professor is confronted by the complimentary statement that "the teachings of modern economists begin and end nowhere"; that his own teachings "all through showed a decided intellectual incapacity to stand by any positive statement"; that his views "illustrate the folly of rushing into a controversy without preparation or knowledge"; and that "he must still be considered a tyro both in economics and ethics." Yet this delinquent economist "approved of taxation of land values twenty shillings in the pound" and gently remonstrated, "Is it really worth while to spend so much time and space in attacking those who want the same thing you want? Is not such conduct an example of the perversity and futility into which these men of one idea, whom the world bluntly calls cranks, so often fall?"

Not only are flagrant examples of offensive insinuation frequent, but there is a supercilious, patronizing style of writing that violates good taste, instances of which might easily be multiplied. For example, notwithstanding the declaration of a professor that if government had started with single tax we should have had from the first a practically burdenless tax, and that the land user today is paying to a private individual all that he would pay to the government, besides direct, indirect, and monopoly taxes, which the single tax would abolish, yet, because it is thought that this professor "falls down" before "full single tax," he is reminded, after the honeyed compliment that he is better posted than most of his university brethren, that he "owes it to those who look to one in his position for a clear exposition of the principles

of political economy, to revise his argument." Is this species of veiled affront likely to win the leading economists, their brethren, and their following to our reform?

This backward survey may well begin with the notable gathering of economists and single taxers at the Conference of the American Social Science Association, Saratoga, New York, September 5, 1890. Though not without its note of discord, this was a distinguished occasion, bringing together a company of truly representative men, many of them today men of distinction. The Conference was devoted entirely to a discussion of the single tax. Besides Mr. George, Messrs. S. B. Clarke, Louis F. Post, William Lloyd Garrison, and James R. Carret spoke in support of his views. Professors J. B. Clark and E. R. A. Seligman, both now of Columbia University, Dr. William T. Harris, United States Commissioner of Education, President E. Benjamin Andrews, then of Brown University, Professor Thomas Davidson of New York, and Professor E. J. James, then of the University of Pennsylvania, took opposite grounds. Mr. George was accorded every courtesy of debate by the professors. Regarding the general harmony of this occasion, the secretary testifies that in the records of the Conference "no word was expunged nor was there any but the most cordial feeling toward Mr. George." Professor Seligman, while indulging in dignified resentment at Mr. George's insinuation of hypocrisy in the ranks of the professors, said in their defense:

> It is grossly unjust to ascribe to the professors of political economy a truckling or even an unconscious subservience to the powers that be. All history disproves this. . . . . No one is more desirous of attaining social peace, no one has today a deeper sympathy with the unhappy lot of the toilers, no one is more anxious to seek out the true harmony of social interests, than the student of political economy. If we thought that you had

solved the problem, we would enthrone you high on our council seats; we would reverently bend the knee and acknowledge in you a master, a prophet.

The next important public utterance of Mr. George after the Saratoga Conference was *A Perplexed Philosopher,* wherein he arraigned Mr. Spencer in unsparing terms for recantation of what he, Mr. George, considered fundamental truths. In 1850 Mr. Spencer had announced that private property in land was wrong. In 1882 he announced that private property in land was not wrong. Mr. George vigorously assailed the soundness and the motive of this change of views. As between condemnation and argument in this critique, the former would seem at first glance to preponderate. It was a grievance to Mr. George that Mr. Spencer chose to ignore the former's book and his work, not so much as deigning to read *Progress and Poverty,* referring to it as "a work which I closed after a few minutes, on finding how visionary were its qualities." Also, Mr. Spencer believed in materialism and evolution; Mr. George did not. Mr. George had once met and abruptly parted from Mr. Spencer at a private dinner. Indeed, as a resultant of mutual mental hostility these two gentlemen were so little enamored of one another that one could hardly expect to find in *A Perplexed Philosopher* a sympathetic review of Herbert Spencer.

The beginning of the controversy between George and Spencer may be traced back to January, 1883, when the *Edinburgh Review,* in an article entitled "The Nationalization of Land," gave a fair review of *Progress and Poverty,* in which were coupled the names of George and Spencer, both as associated with communism. The latter, having little or no knowledge of the former's ideas, shrank like a sensitive plant from being classed with him, just as hosts of sensible people will

tell you today that they can affiliate with the single tax but not with the fads and fancies of many single taxers. Mr. Spencer was also sensitive that the reviewers should have neglected his synthetic pretentions until their attention was called to his *Social Statics,* a book thirty years old, and even then only in connection with the book of another man. Mr. Spencer stated his position in a letter to the *St. James Gazette* of London, which called forth replies and rejoinders from Huxley, Tyndall, John Morley, John Laidley, and others. Thus was opened up a controversy which from the first exhibited in ample proportions the free solution of testiness. Finally, in *A Perplexed Philosopher,* Mr. George somewhat irrelevantly made analytical disposal of Mr. Spencer's pet synthetic labors of a lifetime, his evolution and his materialism. The following isolated passages show the deflected judgment under which he treated the alleged recantation:

I do not regard this as controversy. It is rather exposure. In turning his back on all he has said before, Mr. Spencer has not argued, and no explanation is possible that does not impute motives. . . . . Instead of manfully defending the truth he had uttered, or straightforwardly recanting it, Mr. Spencer sought to shelter himself behind ifs and buts, perhapses and it-may-bes, and the implication of untruths. . . . . Mr. Spencer has had much to say of the unfairness of his critics, but this reply is not merely unfair; it is dishonest, and that in a way that makes flat falsehood seem manly. . . . . This letter [Mr. Spencer's] is merely an attempt to avoid responsibility and to placate by subterfuge the powerful landed interests now aroused to anger. . . . . *Social Statics* has been disemboweled, stuffed, mummified, and then set up in the gardens of the Spencerian philosophy, where it may be viewed with entire complacency by Sir John and his Grace. . . . . Mr. Spencer is thus untruthful in regard to what he has taught in *Social Statics;* he is equally untruthful in regard to his suppression of that book. . . . . This treatment of land, or of the surface of the earth, as but one of the natural media, is in the highest degree unphilosophic, and could be

adopted only for the purpose of confusion. . . . . By aid of double-barreled ethics and philosophic legerdemain, Mr. Spencer evidently hopes to keep some reputation for consistency and yet uphold private property in land. . . . . They have their choice between intellectual incapacity and intellectual dishonesty. . . . . He, Mr. Spencer, stands ready to sacrifice to his new masters not only his moral honesty, but, even what the morally depraved often cling to—the pretence of intellectual honesty. . . . . In this chapter, "Justice" on "The Right to Land," he [Mr. Spencer] proves himself alike a traitor to all that he once held and to all that he now holds—a conscious and deliberate traitor, who assumes the place of the philosopher, the office of the judge, only to darken truth and to deny justice; to sell out the right of the wronged, and to prostitute his powers in the defense of the wronger. . . . . Is it a wonder that intellectually, as morally, this chapter is beneath contempt? . . . . That part of our examination which crosses what is now his distinctive philosophy shows him to be as a philosopher ridiculous, as a man contemptible—a fawning Vicar of Bray, clothing in pompous phraseology and arrogant assumption logical confusions so absurd as to be comical.

Reviewing the whole controversy today, it is not easy to see how the rules of polemics justified the severe language of Mr. George in which he made his isolated arraignment of the great apostle of evolution. Today a student of Spencer would be amazed to find his revision of 1882 of his views of 1850 made the target of such unmeasured censure and detraction. And what is this offense of Mr. Spencer's that so smells to heaven? Simply this, and nothing more: in *Social Statics* he said that private property in land was wrong; in *Justice,* forty years later, he said that private property in land was not wrong. The initial error was in the lack of a clear definition of the point at issue. The tenet of the wrong of private property in land is in itself generally conceded to be false and untenable. But George and Spencer appear to have conceived themselves constrained to this belief by the false logic

of an inverted argument, to wit: Since all have a common right to the rent of land, the product of their collective labor and expenditure, therefore all must have a common right to the land itself, the gift of nature. Had the issue been framed in two propositions, instead of one, as follows: (1) All have an equal right to the surface of the earth in its original state, because it is a gift of nature; (2) all have a common or joint right to the artificial rent of land, because it is a common creation — there might never have arisen the barren and profitless discussion that is now being considered here, for then the two protagonists might conceivably have come to an agreement that the second of these propositions is sound, while the first is crude and false.

In order to show that Mr. Spencer was culpable in this recantation it is needful for Mr. George to establish the position that Spencer was right in saying in 1850 that "the right of mankind at large to the earth's surface is still valid; all deeds, customs, and laws notwithstanding." This leads to a survey and criticism of George's argument of 1891 as compared with Spencer's on the same point in 1850.

Henry George wrote, in *Our Land and Land Policy,* in 1872 as follows:

> It by no means follows that there should be no such thing as property in land, but merely that there should be no monopolization — no standing between the man who is willing to work and the field which nature offers for his labor. For while it is true that the land of a country is the free gift of the Creator to all the people of that country, to the enjoyment of which each has an equal natural right, it is also true that the recognition of private ownership of land is necessary to its proper use — is, in fact, a condition of civilization.

This statement of George can suffer no contradiction. Its truth is grounded in reason, science, and fact. Conceding indi-

vidual title to land, he demanded the socialization of rent by taxation. Title to the land itself, stable tenure, estate in land, ownership of land in severalty, whether its value is one dollar or a million dollars, is necessary to security of improvements. Title to the annual value of land — ground rent — is not necessary to the security of improvements, which would be equally secure whether one-quarter or three-quarters of ground rent be taken in taxation. Neither in private more than in public ownership of land is there any moral or economic wrong.

There is a persistent though not inexcusable tendency among economists to confuse the single tax and land nationalization. Professor Seligman, in the eighth edition of his *Essays in Taxation,* thinks himself justified in laying before his 200,000 students and emulators in the United States colleges and universities the following version of the single-tax belief:

> Land is the creation of God. . . . . Therefore no one has a right to own land. . . . . When the change advocated is a direct reversal of the progress of centuries, and a reversion to primitive conditions away from which all history has traveled, the necessity for its absolute proof becomes far stronger. The nationalization of land is a demand which in order to win general acceptance must be based on theories independent of the doctrine of equal right.

And lo! from whom does such a rapier thrust come but from a gracious professor to whom single taxers are gratefully indebted for courtesies and hospitalities, who has journeyed to promote its discussions, and who at Saratoga forestalled by a generation the single taxers themselves in the inestimable service of blocking out a keystone to the single-tax arch, demonstrating fully a proposition previously recognized but not effectively utilized, viz., that the new purchaser of land, buying as he does free of tax, escapes all tax burdens.

Professor Ely of the University of Wisconsin also has been favoring English farmers with his views, in the following language:

> I have no sympathy whatever with the single taxer in this country or any other country. . . . . No civilization has been built up in modern times upon anything else than the private ownership of the land; and if you remove that, as the single taxer proposes to do, it seems to me that you would remove the solid, substantial foundation of modern civilization.

But what has this to do with the single tax? It was George's special triumph over Spencer, that in distinctly conceding the legal ownership, individual tenure of or estate in the land itself, the very principle the truth of which forced from Spencer his recantation, he corrected and advanced the issue from the common right to the use of the earth to the joint right to the enjoyment of rent, making clear the distinction that land is one thing and the rent of land another and different thing — that to take in taxation the rent of land it is not necessary to take the land itself. The nationalization of land, with its incidental enlargement of government functions, formed no part of George's program. We appeal to the brotherhood of economists at the present stage of the art of taxation to forgive us for expostulating lustily against such a travesty of the single tax as that it implies the abolition of the institution of private property in land.

Is it, on the other hand, complimentary to the keepers of the single-tax ark, and the variegated expositors of its doctrine, that after thirty years of discussion and disputation nearly every "objector" down to this very day is spending the half of his ammunition upon deserted earthworks, viz., that the single tax means the overthrow of the institution of private property in land, and that Henry George stood for

the nationalization of land. If Henry George had gone so far even as to have put himself under the dominance of a "steering committee" chosen from his enemies the professors, he could hardly have fared worse than he has done at the hands of his friends. Listen to the remarks of a well-known disciple at a Henry George Memorial Meeting, the like of which subtly do incalculable damage to any great cause, because subject to misunderstanding:

> I believe we are in a revolutionary movement. If I did not think so I wouldn't be interested in it. We are in a movement which aims to let the poor and the disinherited own the earth, and that movement is sweeping over the entire civilized world.

If it be granted, however, as many of his professed followers maintain, that Henry George did really believe that individual permanent title, tenure, or estate in land is wrong, then when Spencer in 1882 recanted the first six sections of his original *Social Statics* (1850), the championship of this barren doctrine was left practically to Henry George alone, as no other economist of note can be now recalled to share the honors with him.

After all, have we not haggled long enough about what Mr. George said or meant? What is wanted is a science of obtaining the normal revenue of a community. The immense forward strides in the development of economic science in general ought to make it possible to determine the truth regarding his system, even independent of what he said forty years ago. *If this reconciliation is not possible,* why not discharge the single tax at once of this incubus and handicap of "common" property in land, wash off the slate, and strike out *de novo* for a science of natural revenue, if needs be, *sans* Spencer, *sans* George, *sans* theories, *sans* speculations?

CHAPTER XIV

The Professors and the Single Tax

THE contribution to the discussion of the single tax by Professor Alvin S. Johnson of Cornell University in the *Atlantic Monthly* for January, 1914, has stimulated general interest as to the attitude of professional economists on this question. Scores of professors and economists, including those who have attained first eminence, as well as those growing to distinction, have long been magnanimously hospitable to the discussion of the single tax. Granting the eccentricities or aberrations of single taxers, such as the Spencerian contention that private property in the land itself — that is, for men to own land in severalty — is wrong, and the economic hallucination that it might be administratively possible to take in taxation 100 per cent or all of economic rent, may it not still be a fair question to propound to the professors whether they have attempted to separate the essential substance of the single-tax proposal from the excrescences that have accumulated about it and to consider the main issue solely on its merits? Have they not rather shown a tendency to emphasize and magnify the irrelevant and inconsequential contentions of misguided advocates of the singe tax, to the neglect of its central thesis?

The first question is, of course, as to the real importance of the single-tax theory. If that importance is sufficient, should not the subject find place in the laboratory of the professor, where, by patient and careful analysis, qualitative and quan-

titative, dross is separated from gold? Has the single tax received at his hands discriminating examination and elucidation? Can it be claimed that the professors as a class have so studied as to reach an accepted scientific analysis and understanding? A careful examination of the discussions of the single tax in the formal treatises on political economy certainly fails to indicate any exhaustive research or to discover any considerable body of helpful, constructive criticism. Instead of recognizing the basic principle of the single tax, which is admitted even by the severest critics to be sound, and then developing this fruitful idea by eliminating error from its presentation and determining the limits of its economical application, the economists have seemingly bent their energies toward the annihilation of the whole doctrine. They have elected to play the easy rôle of hostile critic, instead of essaying the more difficult one of guide, philosopher, and friend. It is, however, pleasant to record that to this general statement there are many notable specific exceptions.

A MISREPRESENTATION OF THE ISSUE

Professor Johnson prefaces his discussion with the following astonishing thesis:

> The single-tax movement would, therefore, be aptly designated as a propaganda for the universal confiscation of land. And this designation the single taxers themselves would accept without reservation, ... as a step in the direction of the confiscation of all private property.

This gratuitous assertion of Professor Johnson may be offset by the following declarations of the two authorities on the single tax most widely recognized, Henry George and Thomas G. Shearman. In 1892 George declared:[1]

[1] *A Perplexed Philosopher*, p. 70.

I am not even a land nationalizationist, as the English and German and Australian land nationalizationists well know. I have never advocated the taking of land by the State or the holding of land by the State, further than needed for public use; still less the working of land by the State.

Shearman declared also in 1892:[1]

Shall we undertake to reclaim literal possession of "the land for the people"? Rightly or wrongly, the moral sense of the people would revolt at such a proposition. And if it did not, yet the immense complications involved in awarding compensation for improvements would break down the whole project. It is not worth while to inquire into the abstract morality of an utterly impracticable scheme.

I have never before encountered Professor Johnson's conception of the doctrine of the single tax from one having any pretense to knowledge of the subject. Such an introduction to the discussion is strongly suggestive of the farmer who put green goggles on his horse and fed him on shavings. "Confiscation" is penalty for crime, and the use of this term in connection with the single tax involves gross distortion and exaggeration. The sovereign State may appropriate private property of its citizens in two ways: (1) by confiscation, (2) by taxation. When one particular man, by treason or otherwise, has forfeited his rights as a citizen, the lands and houses and personalty of this one man may all be "forfeit to the crown," while the validity and sanctity of 9,999 other men's rights are in no way infringed. This is confiscation. On the other hand, when the state, in order to obtain the revenue to meet the expenses of government, levies tribute upon its 10,000 citizens impartially, this is taxation. Those who make this charge of confiscation forget that land investment

[1] *Natural Taxation*, p. 215.

today is practically free of tax, and that the burden is upon them to show how in justice this anomalous exemption should continue.

A CORRECT PRESENTATION OF THE ISSUE

Why did not Professor Johnson find space to say that the single tax seeks to embody the principle of the application of common property to common uses, "the taking by the community, for the use of the community, of that value which is the creation of the community"—the justice of which will, I venture to say, be acknowledged by nine out of ten of the economists of the world? Why did he not say that the single taxer hangs his hope upon the fact that, however heavy the tax upon land, it can be no burden upon the worker, and cannot affect the *use* value of land—that an "old" tax, i.e., a tax which was upon the land when it passed to the present owner, is not now a burden upon him—that only a future "new" tax would be a net deduction from the rent of his land—that a landowner *per se* is not a "parasite" except to the extent that he fails in his landlord-duty to improve his land—to the extent only that he stands between man and the land, and becomes a speculator, a cornerer of a necessary of life?

SPOLIATION OF THE MIDDLE CLASS

Again, Professor Johnson represents the single tax as "essentially a device for the spoliation of the middle class." When a man buys land in Regina for $5,000 and sells it ten years later for $200,000, who is it, will Professor Johnson tell us, that is saddled with the maintenance of this $195,000 of "water" if not the "great middle class" of Regina, the class whose improvements, of all others the world over, gener-

ally exceed the site value of their land, and to whom, therefore, the remission of taxes on their improvements would be tantamount to compensation rather than confiscation, since their tax burden would be proportionately less. Or, again, to pile Pelion upon Ossa, if the land values of the city of Seattle, Washington, which in 1901 were $71,000,000, are ten years later (in 1911) $281,000,000, who is to pay the taxes eventually necessary to maintain this added $211,000,000 speculative value, if it is not the middle class — the occupiers, users, and improvers of the land of Seattle? One advantage of the single tax to the "middle-class" man, if he is a would-be farmer, is that so far as an increased tax on the land decreases its selling price he will require less ready capital for the purchase of a farm. It will not, however, alter the annual cost to him for its use; this will always be the sum of the interest on his investment plus his land tax. If his purchase price is lower, his tax will be higher, and vice versa. Professor Johnson has overlooked the fact that one-third of the farmers are tenants and will look to their landlords to pay the land tax. As to the two-thirds who are owners and cultivators, the general remedy will apply that, however adverse the effect upon any particular class of landowners, their alleged injury cannot obtain beyond two or three generations, at farthest. They can meantime have no ground of complaint beyond having their investment, now free of tax, subjected to the same rate as buildings that are upon the land.

SOURCE OF PRESENT COLOSSAL INDUSTRIALISM

According to Professor Johnson, "It was the unearned increment which opened the West and laid the basis for our present colossal industrialism, ... has moved hundreds of thousands from our Middle West to the Canadian Northwest."

It was, he declares, the unearned increment, rather than the hunger and wanderlust of millions, that created a vast surplus of food products. It is the general impression that the hunger of the millions developed their food supply along the line of least resistance. Is it not free land that for a hundred years has promoted the westward tide? Now that this land is no longer free for use, but monopolized out of use, the "Westward Ho!" man has no one to defend him from the speculator in the increment who wants to sell him his land at a "watered" price. So he falls in with the current to Canada, where a government shows interest enough to help pay his traveling expenses from some distant country, gives him temporary free support, helps him to settle, and lends him credit with which to start. The single tax would offer an additional inducement in the fact that the best lands would be open to him at the lowest instead of the highest price. It may well be asked, Who gets the principal benefit of this Northwest movement? Is it the "hundreds of thousands" moving away from the "Middle West"? Is it the depopulated district, or is it the land speculator who intercepts a very considerable portion of this benefit to the settler by anticipating and appropriating the land increment. Of this increment it may be said that it is "water" in precisely the same sense in which five hundred million of steel stock is water. It is the capitalization of the heaviest tribute that the steel traffic or the land traffic will bear — a dividend without an investment.

It is delusive to say that in any true sense the speculators have created these industries and values. They simply banked upon the general recognition that people must have land as they must have grain, and they cornered the land as grain is cornered, and thus profited at the expense of the great "middle class," the workers of the world. Thus it is by no means

clear that the "unearned increment" has not been more of a bane than a blessing in the development of this country. It is the artificial prominence of the centrifugal spreading-out influence, with its unsystematic wasteful and prodigal treatment of the land, that has made the United States a byword among the nations.

The Sage of Concord[1] was wise when he said of the rush to get rich: "The luck of one is the hope of thousands, and the bribe acts like the neighborhood of a gold mine to impoverish the farm, the school, the house, the church, and the very body and feature of man." What did these words betoken if not a clear intellectual epitome of the whole land question, pronounced nearly four-score years ago, before the hegira of the forty-niners, and early in the great land movement to the West?

THE PROFESSORS ON PARADE

The foregoing easy disposal of the single tax by Professor Johnson tempts one to turn attention to the treatment of the subject by standard economic writers. The writings of eleven authorities — Bullock, Daniels, Davenport, Ely, Fetter, Fisher, Hadley, Plehn, Seager, Seligman, and Taussig — have been examined and excerpts made to exhibit their views on the single tax. Thus an occasion is presented for the single taxer to make his complaints and find what fault he can with those who hold the keys to the kingdom of economics.

CONFISCATION, NATIONALIZATION, OWNERSHIP

In reading these treatises one cannot escape being impressed by the near unanimity — nine to two — with which the writers confidently dispose of the pretensions of the George plan by

[1] Ralph Waldo Emerson in address "Nature" at Waterville College, Maine, August 11, 1841.

assuring themselves that he aimed at the upsetting of a cherished institution, the destruction of property rights, thus hopelessly prejudicing the case even before a jury has been impaneled. This method of treatment is vehemently protested as an unscientific mode of procedure. With the deadly assumption of the intended abolition of "property in land" there follows easy assent to the consequent charge of nationalization of land on the high single-tax road to Professor Johnson's "confiscation of all private property." We believe it to be a well-grounded complaint that the treatment of the "books" is sometimes superficial, not always fair, and not always abreast of the times.

Professor Charles J. Bullock says:

> The proposal to confiscate existing rents must be rejected as unjust. (E. 328.)[1] It is evident that such a plan is equivalent to national ownership, or nationalization of land. (I. 495.) . . . . Mr. George's plan of confiscating the value of land without compensating present owners does not appeal to the conscience of the average American as just. Society has allowed private land ownership in this country ever since English settlement. The present owners have invested in land in good faith. If it should be decided inexpedient to continue our present system, the burden of the change should not be thrown upon the single class of landowners. (I. 500.)

Professor Richard T. Ely says:

> Mr. George proposes to take all the unearned increment, past and present, and that whether the present owners have been encouraged to believe that they might be permitted to appropriate the whole unearned increment or not. Herein lies the essential injustice of Mr. George's scheme . . . . (p. 596). Mr. George not only proposes to confiscate all economic rent without com-

[1] These and subsequent page references are from Bullock's *Elements of Economics and Introduction to the Study of Economics;* Ely's *Outline of Economics;* Hadley's *Economics;* Seager's *Introduction to Economics,* and Seligman's *Essays in Taxation.*

pensation, and to abolish all other forms of taxation, but the assertion is made in explanation and justification of the policy that it will abolish poverty. . . . . No abstract reasoning, based on "natural rights," will persuade a modern nation to so radical a step (p. 597).

President Arthur T. Hadley says:

They propose either to make the land common property and let this gain accrue to the public (land nationalization), or to leave the title in private hands as at present, but tax economic rent to its full amount in lieu of all other taxes, the single-tax theory (pp. 470–71).

Professor Henry R. Seager says:

Such policies amount to confiscation and can only be justified on the ground that they are absolutely essential to general well-being (p. 522). . . . . To deprive them of their lands, or what amounts to the same thing, of the income which these lands afford, would be to commit a monstrous piece of injustice (p. 522). . . . . A State which would thus overturn an established institution, and confiscate by wholesale the property of its citizens, would lose the confidence of those citizens and be reduced to a condition of anarchy bordering on civil war (p. 523). . . . . Such a tax involves the confiscation of property (p. 585).

Professor E. R. A. Seligman says:

When the change advocated is a direct reversal of the progress of centuries, and a reversion to primitive conditions away from which all history has traveled, the necessity for its absolute proof becomes far stronger. The nationalization of land is a demand which, in order to win general acceptance, must be based on theories independent of the doctrine of natural rights.

In their opposition to the single tax, the professors appear substantially to assume that Henry George and the single tax are synonymous and coterminous, and that when they have overthrown the "temple" of their own interpretation of Henry

George the single tax goes to ruin with it. Such a course is hardly fair because of the fact that of the "old" believers in Henry George a respectable minority do not at all follow the professors in their interpretation. Mr. Thomas G. Shearman, who made a scientific exposition of the single tax which no one claims to have successfully attacked, has not even been invoked as a commentator, and a whole lot of didactic matter in extension of Henry George's formula — matter that has received high academic indorsement as sound educational material — escapes the notice of should-be-careful economic guides. These noted teachers should grasp the fact that they are, so to speak, bellwethers of a great and perennial flock of citizens in the making, even as Solomon of old doubtless had grasped the profound sociological truth that when the king takes snuff all the people sneeze, a perception which presumably accounted in no small degree for the temperance and wisdom of his habits.

The professors have a right to believe, if they choose, that Henry George thought the application of his remedy would result eventually in the abolition of the institution of private property in land. On the other hand, the fact that a body of original enthusiasts persistently shout this proposition should not mislead the professors to mistake noise for numbers, and thus implicate a vastly more numerous body of logical and consistent believers in the single tax who stoutly defend private proprietorship. Even though Henry George said "it is not necessary to confiscate land, it is only necessary to confiscate rent," would it not be a scientific procedure to correct such a false impression, from whatever source, as that gradual taxation is criminal forfeiture, confiscation — a term that, wrested from its proper context, and in a distorted sense, has been worked threadbare in a foreign service? A worker in the Oregon field expresses full appreciation of the

baleful effects of this error when he says that the particular parts of Henry George's teachings which are construed to mean the destruction of the institution of private property in land "were used with a terrific effect" in the single-tax campaign of two years ago.

Whether or not Henry George meant to assert that the taking of any part or all of ground rent in taxation would destroy individual ownership in severalty of the land itself is yet a debatable question. In any event, his assertion cannot make a right out of a wrong. The party of the other part wonders why the professors should be strenuous to profit by a verbal inaccuracy of Henry George's instead of bringing the economic question involved before the bar of their own enlightened judgment.

The edge of the professorial criticism is dulled by the fact that it is so largely directed not to a scientific but to an unscientific statement of the single tax. It is not even directed to the plain scientific form in which George put it, but to a muddled by-interpretation, the speciousness of which ought not to impose upon university men. The provoking part of it is that in aid of a fairer definition of the situation Mr. George himself was not called in to cut his own Gordian knot. It was Mr. George's special achievement that, while distinctly conceding the legal ownership, individual tenure of or estate in the land itself, he corrected and advanced the issue from the common right to the use of the earth to the joint right to the enjoyment of rent, making clear the fact that land is one thing and the rent of land another and entirely different thing, and that to take in taxation the rent of land it is not necessary to take the land itself; yet we are nonchalantly told by leading professors that, anyway, we are aiming only at an academic distinction.

The truth or error of the single tax does not depend upon the infallibility of Henry George or even upon his elucidation of it. It is difficult to see why professors should have been blind to the scientific principle involved simply because they were not ready to follow Henry George in all his conclusions. The science of taxation has been better presented by another man who was just as devoted a philanthropist as Henry George. The professors have had before them for twenty years the work of Thomas G. Shearman on *Natural Taxation.* It is curious that while Henry George has been exposed to all manner of criticism, I have yet to meet an attempted refutation of a single principle as expounded by Mr. Shearman, or to meet the man who wanted to refute them.

The single taxer wonders how the academic treatment of his pet thesis can be reckoned adequate when in seven out of eleven volumes of political economy under consideration the name of Thomas G. Shearman is not indexed, while the other four have half a dozen references, not one of which citations or references deals with the principles of the single tax.

It is well worth while to clear up this confusion as to common property in land. Henry George presented for his remedy a perfect formula;[1] nevertheless, he continued ambiguously to reiterate the recanted error of Spencer condemning specific ownership of land, but he did this in such relation to his own record, and in such context, as to justify the general opinion that his attack was aimed not at ownership of land, but at ownership of rent. Thirdly, in this Spencerian phase, not only does he lack the support of any other known economist, but no single-tax writer before or after him appears to have been impressed with such a view. If progress of events

[1] *Progress and Poverty,* Book VIII, chap. II.

and of the science of taxation should ever cause the economists to expunge from their records this *ex parte* verdict upon a mistaken and factitious issue, the case against normal revenue methods would be greatly reduced in volume.

TAXATION OF FUTURE INCREMENT

The proposal to take in taxation a substantial part of the future increment of land value, to which ready and wide assent has been given, is discussed by only two of the eleven writers under scrutiny.

Professor Taussig says:[1]

> A different proposal is that to appropriate, not the whole of the unearned increment, but the future accretions. . . . . Take for society at large the increase of rents that will arise hereafter. There can be no objections in principle to this proposal. . . . . The question is different as regards the rise in rent that is still to come. There is no vested right in the indefinite future. . . . . With the rapid growth of modern cities and the unmistakable swelling of site rents, a reservation of the community's rights with respect to urban land has met with steadily increasing recognition.
>
> The form in which this right is most likely to be asserted is that of a special tax on the newly accruing increase in site values. In strict theory, the whole of this increase might be taken through taxation.

Professor Bullock says:

> If the proposal to confiscate existing rents must be rejected as unjust, the same criticism cannot be directed at projects for gradually appropriating to public purposes the future increment of land values. (E. 328.) . . . . To adjust municipal taxation in such a manner as to intercept a considerable part of the future unearned increment from land would be a safe and probably a desirable policy. . . . . It would, moreover, be in line with some of the existing tendencies in municipal finance. (E. 329.) . . . .

[1] Taussig, F. W., *Principles of Economics,* Vol. II, pp. 75 and 102.

But any income acquired by paying its capitalized value is not to be considered unearned. (E. 291.) . . . . So far as urban lands are concerned, there can be little doubt that it is the part of wisdom for municipalities to seize upon a source of revenue that is brought into existence by urban growth and to a large extent maintained by constant public expenditure. (E. 330.) . . . . We must admit that a large unearned increment of ground rents is secured by the owners of specially favored lots. No one would question the justice of imposing a part of the burden of taxation upon such an income. (I. 499.)

At this point a generous critic finds himself confronted by a painful sense of disproportion between topic and treatment. Taxation of the future increment is a recent development in legislation, though it is not new to discussion. It seems adapted to circumvent many or most of the objections raised against the additional taxation of present rent, and for that reason it appears to command a recognition peculiar to itself. It seems to promise in some cases the possibility of a common ground for initial proceedings, yet only two out of our eleven writers give material attention to this proposition, which has received a certain recognition in both Great Britain[1] and Germany, and these two writers compress the treatment into extremely small compass. One is tempted to ask of the professors bluntly: "Are you really the leaders, the pioneers, the inventors, the Edisons, and the Marconis of the world's economic thought?" If the taxation of economic rent is sound

[1] Rev. J. Kelleher, teacher of St. John's College, Waterford, Ireland, priest of a church which lays no claim to specific economic leading, has almost stolen the march on his American brethren when he says in the *Irish Theological Quarterly*, January, 1914, that: "I have already labored to show that the present landowners should not be permitted to appropriate any of the natural increase in land values beyond what is represented in the present market value of their lands. . . . . If the entire increase is due to the public, then surely there ought to be no objection against taking a bare 10 per cent or 20 per cent of it. One-fifth or even one-tenth of a loaf is better than no bread, ... although the whole of the natural in-

in principle, why should it receive such scant attention from our chosen authorities?

MONOPOLY AND PRIVILEGE

Perhaps no single term has insinuated itself more into popular apprehension during the last decade than the term "privilege." The press, legislators, statesmen, and presidential candidates have expounded and exploited it copiously. Following this initiative, single taxers have taken great pains to formulate and define "privilege" and to put its destructive features in a scientific setting. Naturally the absence even of the term "privilege" in the indexes to the economic books under consideration occasions momentary surprise.

Privilege is believed to offer great advantage as a vehicle for economic teaching and discussion, as perhaps more inclusive though less specific than monopoly, the established standard term.

THE THREE POSTULATES OF THE SINGLE TAX

It may not seem a gracious act in us to file claims against the college and university commissaries for an inadvertent short measure here and there in dealing out their rich stores of learning, but it has to be performed. Here is the one closing specification. In single-tax propaganda much time has

crease in land values should belong properly to the public, and therefore to take 10 per cent or 20 per cent of it from the present landowners would be no injustice. . . . . ." Fr. Kelleher is the author of an excellent book, *Private Ownership, Its Basis and Equitable Condition,* published by M. H. Gill & Son Ltd., Dublin, Ireland.

The foregoing declaration and the following statement of Rev. Edward McGlynn, declared by due authority in 1892 to contain nothing contrary to Catholic teaching, make a liberal contribution to the economic solution: "To permit any portion of this public property to go into private pockets, without a perfect equivalent being paid into the public treasury, would be an injustice to the community. Therefore the whole rental fund should be appropriated to common or public uses."

been given to explaining the triple alliance of three principles: (1) the social origin of ground rent; (2) the non-shiftability of a land tax; (3) the ultimate burdenlessness of a land tax.

The second and third of these have received from the authorities full description and almost universal indorsement. But antecedent to these is the first principle: What is it that gives rise to economic rent, the value of land? On this point the question arises: Is the teacher giving to his pupils all there is to be had? In an enumeration of the causes of ground rent, population is usually the one first named. But a passive population gives little value to land; it is rather the activities consequent upon the character of population that create the value. The topic invites easy and profitable amplification.

The more one realizes to what a fatuous extent Henry George men are themselves responsible for the perversion of the main contention of their chief, the more unfortunate does it appear that unwise methods of one kind and another should have been forced into the issue and retarded the reform substantially for a generation, thus lessening the tremendous original impulse of *Progress and Poverty*. That impulse was great enough under wise methods to have brought the world of today to a full recognition that taxation has a rightful domicile in the domain of science.

In conclusion, it is hoped that the facts which have been pointed out will suffice to induce economists, to whom the people look for light and leading, to re-examine the whole subject of the so-called single tax, not in the light of any foreconception such as might result from certain *obiter dicta* of Henry George, but by independent investigation based on authoritative definitions and presentation of single-tax philosophy, such as is found, for example, in Shearman's *Natural Taxation*. The results of such investigation conducted by

trained and unbiased economists, uninfluenced by the opinions or conflicting statements of previous writers, would be of the highest service to all who are interested in the present desperate need of the world, namely, a proper shaping of revenue methods, whether of town, city, state, or nation.

This, then, is our earnest plea for a new trial with a change of venue, with reasonable assurance of a fair verdict upon the single tax as known to its friends.

It is a parade review of the "human" professors face to face, allowing us the satisfaction of telling not only how much we think of them, but what we don't think of them.

It is the disavowal of an aim at the wholesale conversion of the world to a following of Henry George and his writings *in toto*.

It contains the needful reiteration of the fact that Herbert Spencer was wrong when he said that "private ownership in land is not permissible," but was right in taking back out of thirteen sections of chap. IX of *Social Statics*[1] the six only which related solely to this point; and that Henry George was right when he said that "the joint or common right" of men is not to the land but to the rent of land.

With apologies for these works, as it were, of supererogation, we rest from our labors and pray for the fruition of a great hope.

[1] *A Perplexed Philosopher*, chap. I.

CHAPTER XV

A Catechism of Natural Taxation

SOME years ago, when president of the Massachusetts Single Tax League, I started a correspondence and series of conferences with a large number of students of political economy, including more than a hundred professors in the leading colleges and universities of the country. The purpose was to ascertain whether it might be possible to secure agreement of recognized authorities concerning the fundamental economic principles on which the science of taxation must rest. The project met with such cordial approval at the hands of the economists, and proved so interesting and profitable that it finally resulted in a round-table conference at the annual meeting of the American Economic Association held at Madison, Wisconsin, in December, 1907.[1] The final canvass of opinions showed an overwhelmingly majority agreed upon the three propositions stated in the following Catechism, No. 39.[2]

"Largely out of the correspondence elicited by the *A B C of Taxation* this Single-Tax Catechism has grown." As described by an economist not in sympathy with the single tax:

It simplifies the method of treatment, supplies needed definitions and explanations, and meets the objections naturally raised by honest seekers after the truth. In fundamental doctrine no change has been required either in general principles or their

[1] See *Proceedings of the Twentieth Annual Meeting of the American Economic Association*, 1907, pp. 117-29; also *The A B C of Taxation*, pp. 187-90.

[2] Quoted from an introduction to the edition of the Catechism which was published in the *National Magazine* for November, 1912.

practical application. Thirteen editions of the Catechism have been privately printed and circulated. They have given opportunity to make such changes as have seemed desirable after considering the hundreds of criticisms and suggestions received from critics, friendly as well as otherwise disposed. From correspondents and other friends, indeed, so great assistance has been derived that the Catechism has really become the joint product of scores of collaborators.

CATECHISM [1]

1. *Q.* What is a tax?

   A. A tax is a compulsory contribution of individual product or the value of such product toward the needs of government.

2. *Q.* What is meant by the single tax?

   A. The payment of all public expenses from economic rent, the normal revenue, thus eventually abolishing all taxes.

3. *Q.* What is meant by economic rent?

   A. Gross ground rent — the annual site value of land — what land, including any quality or content of the land itself, is worth annually for use — what the land does or would command for use per annum if offered in open market — the annual value of the exclusive use and control of a given area of land, involving the enjoyment of those "rights and privileges thereto pertaining" which are stipulated in every title deed, and which, enumerated specifically, are as follows: right and ease of access to water, health inspection, sewerage, fire protection, police, schools, libraries, museums, parks, playgrounds, steam and electric railway service,

[1] Edition of 1916-17, fifteenth revision.

gas and electric lighting, telegraph and telephone service, subways, ferries, churches, public schools, private schools, colleges, universities, public buildings — utilities which depend for their efficiency and economy on the character of the government; which collectively constitute the economic and social advantages of the land which are due to the presence and activity of population, and are inseparable therefrom, including the benefit of proximity to, and command of, facilities for commerce and communication with the world — an artificial value created primarily through public expenditure of taxes. For the sake of brevity, the substance of this definition may be conveniently expressed as the value of "proximity." It is ordinarily measured by interest on investment plus taxes.

4. *Q.* What is the ethical basis of the single tax?

   A. The common right of all citizens to profit by site values of land which are a creation of the community.

5. *Q.* What is meant by equal right to land?

   A. The right of access upon equal terms — preference to be secured only upon payment of a premium that will extinguish the equal rights of all other men.

6. *Q.* What is meant by a joint or common right to land?

   A. The joint or common right to the rent of land — a right such as heirs-at-law have to share the income of or rent of an estate.

7. *Q.* What is meant by land value?

   A. Its site value — its selling or market value — its net value to the purchaser — the capitalization of its net

rent — the value supposed to be adopted by the assessors as the basis of taxation.

8. *Q.* How about fertility value?

A. On the surface of the globe are countless varieties of exhaustible fertility, i.e., chemical constituency, differing in kind and degree, from the nitrogen, hydrogen, oxygen, and carbon of the soil to the carbon of the coal, the gold, and the diamond. Fertility as an attribute need not be predicated of agricultural land alone. Economic fertility belongs equally to any other land which yields to labor its product whether in food, mineral, or metal. Land may be fertile in wheat, corn, and potatoes. It may be fertile in cotton, in tobacco, or in rice. It may be fertile in diamonds, in gold, silver, copper, lead, or iron. It may be fertile in oil, coal, or natural gas, in water power or water front. The value of artificial fertility is an improvement value. The value of natural fertility of any kind is a site value.

9. *Q.* Does not the single tax mean the nationalization of land?

A. No; as Henry George has said, "The primary error of the advocates of land nationalization is in their confusion of equal rights with joint rights. In truth, the right to the use of land is not a joint or common right, but an equal right; the joint or common right is to rent." It means rather the socialization of economic rent. It simply proposes gradually to divert an increasing share of ground rent into the public treasury.

10. *Q.* What is the distinction between the taxation of land and the taxation of rent?

A. Taxing land means, in the ordinary use of the words, to tax the land upon its capital value, or selling value, at a given rate per $100 or $1,000 of that value. Taxing rent means taxing the annual value, or ground-rent, at a given percentage of that rent. It is in one case a tax on rent; in the other it is a tax on capitalized rent.

11. *Q.* Does not the common right to rent involve common ownership of land?

A. Not in the least. When the economic rent is appropriated by the community for common purposes, individual ownership of land could and should continue. Such ownership would carry all the present rights of the landowner to use, control, and dispose of land, so that nothing like common ownership of land would be necessary.

12. *Q.* Did not Henry George believe in the abolition of private property in land?

A. Assuredly not. If he did, why was it that he suggested no modification whatever of present land tenure or "estate in land"? If he did, how could he have said that the sole "sovereign" and sufficient remedy for the wrongs of private property in land was "to appropriate rent by taxation"?

13. *Q.* What is meant by the right of property?

A. As to the grain a man raises, or the house that he builds, it means ownership full and complete. As to

land, it means legal title, tenure, "estate in land," perpetual right of exclusive possession, a right not absolute, but superior to that of any other man.

14. *Q.* What is meant by the right of possession?

A. As to land, if permanent and exclusive, as on perpetual lease, it means the right to "buy and sell, bequeath and devise," to "give, grant, bargain, sell, and convey" together with the rights and privileges thereto pertaining, in short, the same definition for *possession* that the law applies to *property*.

15. *Q.* What should be the limit of revenue under the single tax?

A. The same as under any other system of taxation, the cost of government economically administered.

16. *Q.* Did not Henry George hold that the full ground rent of land should be taken in taxation?

A. No! Not only did he concede a margin of rent to the landlord, but as a matter of fact, as Thomas G. Shearman said, "not all the power of all governments" could collect in taxation all of ground rent.

17. *Q.* You would not say that land is a product of industry?

A. No; but the annual site value of land is a product of the growth and industry of the community.

18. *Q.* You would not say that the supply of land can be increased?

A. No; but fresh demand is constantly requiring not only an increase in the public equipment of land already in use, but also the constant extension of such equipment to new area.

19. *Q.* Why should buildings and all other improvements and personal property and capital be exempt from taxes?

A. Because a tax on them falls upon industry, and so increases the cost of living, while continuing the invidious exemption of the present net land value.

20. *Q.* Why should stocks and bonds be exempt?

A. Stocks, because they are only paper certificates of property which itself has been taxed once already. Bonds, if legitimate, because a tax on borrowed money is paid after all by the borrower and so becomes an added factor in cost of production, and consequently in the cost of living.

21. *Q.* What is meant by an "old tax" or a "new tax"?

A. By the term "old tax" is intended the tax in force at last change of ownership; by a "new tax," one imposed since then.

22. *Q.* What is privilege?

A. Strictly defined, privilege is, according to the *Century Dictionary,* "a special and exclusive power conferred by law on particular persons or classes of persons and ordinarily in derogation of the common right."

23. *Q.* What is today the popular conception of privilege?

A. That it is the law-given power of one man to profit at another man's expense.

24. *Q.* What are the principal forms of privilege?

A. The appropriation by individuals, or by public service corporations, of the net rent of land created by the growth and activity of the community without payment for the same. Also, the less important privileges connected with patents, tariff, and the currency.

25. *Q.* Wherein does privilege differ from capital?

A. Capital is a material thing, a product of labor, stored-up wages; an instrument of production paid for in human labor, and destined to wear out. Capital is the natural ally of labor, and is harmless except as allied to privilege. Privilege is none of these, but is an intangible statutory power, an unpaid-for and perpetual lien upon the future labor of this and succeeding generations. Capital is paid for and ephemeral. Privilege is unpaid for and eternal. A man accumulated in his profession $5,000 capital, which he invested in land in Canada. Ten years later he sold the same land for $200,000. Here is an instance of $5,000 capital allied with $195,000 privilege. This illustrates that privilege and not capital is the real enemy of labor.

26. *Q.* How may franchises be treated?

A. Franchise privileges may be abated, or gradually abolished by lower rates, or by taxation, or by both, in the interest of the community.

27. *Q.* Why should privilege be especially taxed?

A. Because such payment is fairly due from grantee to the grantor of privilege and also because a tax upon privilege can never be a burden upon industry or commerce, nor can it ever operate to reduce the wages of labor or increase prices to the consumer.

28. *Q.* How are landlords privileged?

A. Because, in so far as their land tax is an "old" tax, it is a burdenless tax, and because their buildings' tax is shifted upon their tenants; most landlords who let

land and also the tenement houses and business blocks thereon avoid all share in the tax burden.

29. *Q.* How does privilege affect the distribution of wealth?

A. Wealth as produced is now distributed substantially in but two channels, privilege and wages. The abolition of privilege would leave but the one proper channel, viz., wages of capital, hand, and brain.

30. *Q.* How would the single tax increase wages?

A. By gradually transferring to wages that portion of the current wealth that now flows to privilege. In other words, it would widen and deepen the channel of wages by enlarging opportunities for labor, and by increasing the purchasing power of nominal wages through reduction of prices. On the other hand, it would narrow the channel of privilege by making the man who has a privilege pay for it.

31. *Q.* How can this transfer be effected?

A. By the taxation of privilege.

32. *Q.* How much ultimately may wages be thus increased?

A. Fifty per cent would be a low estimate.

33. *Q.* What are fair prices and fair wages?

A. Prices unenhanced by privilege, and wages undiminished by taxation.

34. *Q.* Why does not an increase in ground rent tend to cause an increase in prices?

A. Usually sales increase faster proportionately than rent, thus reducing the ratio of rent to sales. The larger the product, the lower the individual costs. The larger the gross sales, the lower the competitive prices.

35. *Q.* Why should land be singled out to bear the bulk of the burden of taxation?

A. Because in the private appropriation of the net rent of land is found the bulk of privilege.

36. *Q.* How much does this particular form of privilege amount to?

A. It amounted for 1914 to approximately forty million dollars for Boston and more than two hundred million dollars for Greater New York.

37. *Q.* Does the single tax imply or involve the municipalization of public utilities?

A. No. A public franchise value is a land value which the single tax would assess at the same rate as other land values. The municipalization of the public utilities themselves is a different question, and is no necessary part of the single tax.

38. *Q.* What are the three legs of the tripos, the threefold support upon which the single tax rests?

A. They are:

(1) The social origin of ground rent — that the site value of land is a creation of the community, a public or social value.

(2) The non-shiftability of a land tax — that no tax, new or old, on the site value of land can be recovered from the tenant or user by raising his rent.

(3) The ultimate burdenlessness of a land tax — that the selling value of land, reduced as it is by the capitalized tax that is imposed upon it, is an untaxed value. Whatever lowers the income from land lowers

proportionately its selling price, so that whether the established tax upon it has been light or heavy, it is no burden upon the new purchaser, who buys it at its net value and thus escapes all part in the tax burden which he should in justice share with those who now bear it all.

39. *Q.* Is not land peculiar in that it is a gift of the Creator, and is not a product of labor?

A. Yes, that is true of land itself, but not of the value of land.

40. *Q.* What is meant by a capitalized tax?

A. It is a sum, the interest of which would pay the tax.

41. *Q.* Why would the single tax be an improvement upon present systems of taxation?

A. Because: (1) The taking for public uses of that value which justly belongs to the public is not a tax; (2) it would relieve all workers and capitalists of those taxes by which they are now unjustly burdened, and (3) it would make unprofitable the holding of land idle.

42. *Q.* Should not all people pay taxes for the protection of their property?

A. Yes, and that is what they are doing when they pay their ground rent. To tax them again, as is now done, is double taxation.

43. *Q.* Do all people, then, pay ground rent?

A. Yes, in proportion as they are users of land having any value.

44. *Q.* Why, on similar lots of land, should one man with a $10,000 building be taxed as much as another with a $100,000 building?

A. Because the value of the privilege of occupancy and use is the same in both cases.

45. *Q.* Why tax $1,000 invested in a vacant lot while exempting $1,000 invested in New York Central stock?

A. Because: (1) the land is made worth $1,000 and so maintained at public expense without any contribution from the owner; (2) the $1,000 New York Central stock adds nothing to the public expense, but a tax upon it, if collected at the source, falls directly on the road and thence upon the public, and so adds to the cost of living.

46. *Q.* Would it not be confiscation so to increase the tax on land?

A. What would be "confiscated"? No land would be taken, no right of occupancy, or use, or improvement, or sale, or devise; nothing would be taken that is conveyed or guaranteed by the title deed.

47. *Q.* What is the distinction between taxation and confiscation?

A. The sovereign state may appropriate private property of its citizens in two ways: (1) by confiscation; (2) by taxation. When one particular man by treason or otherwise has forfeited his rights as a citizen, the lands and houses and personalty of this one man may all be "forfeit to the crown," while the validity and sanctity of 9,999 other men's rights are in no way in-

fringed. This is confiscation. On the other hand, when the state, in order to obtain the revenue to meet the expenses of government, levies tribute upon its 10,000 citizens impartially, this is taxation.

48. *Q.* But would it not be an injustice to the landowner?

A. If it be an injustice to tax hard-earned incomes (wages) to maintain an unearned income (net economic rent) that bears no tax burden, how can it be an injustice to stop doing so? There can be no injustice in taking for the benefit of the community the value that is created by the community.

49. *Q.* What is the lesson of the inevitable "capitalization" of the land tax?

A. It is that an unfair discrimination in favor of the landowner can never be overcome until all taxes are paid out of ground rent; then all men will enjoy total exemption equally with the landowner.

50. *Q.* How could the landowner escape the alleged burden of an increase in his land tax?

A. Simply by assuming the legitimate rôle of a model landlord, by putting his land to suitable use, in providing for tenants at lowest possible price the best accommodations and facilities appropriate to the situation that money can buy.

51. *Q.* Does not a land tax increase house rent or store rent?

A. The landlord, as a rule, exacts the full ground rent for the use of his land. Neither by taking $3 nor $30 per thousand in taxation can land be made worth any more for use.

52. *Q.* In old cities, is not nearly all the land in use?

A. About one-half the area of New York and Chicago is classed by the assessors as vacant. In Boston the proportion is: occupied, 45 per cent; vacant, 43 per cent; marsh, 12 per cent.

53. *Q.* How would the single tax affect the farmer?

A. It would greatly reduce his taxes. His buildings, stock, and crops would be exempt. His land is at present assessed at nearly twice its proper unimproved value, while town and city land is often valued at less than one-half its actual value, thus subjecting him to a more than fourfold disadvantage.

54. *Q.* What relief could it bring to strictly agricultural towns, where the unimproved land values are very small?

A. However poor the town or heavy the taxes, it would at least tend to equalize their present tax burden. The assessed valuation of land in the three smallest towns of Massachusetts, Alford, Holland, and Peru, is $282,335, or more than three times that of the buildings. Allowing one-half of the assessed valuation of land to be improvement value, the unimproved basis for taxation would be $141,168, or 60 per cent more than the buildings. Thus an apportionment according to unimproved land values, increasing ever so slowly, would seem to be fairer than one according to improvements, which require constant renewal.

55. *Q.* How would the single tax affect the tenant?

A. It would neither increase nor decrease his land rent. It would reduce his house rent by the amount of the house tax.

56. *Q.* How would it affect the man who owns the house he lives in?

A. In nearly every case it would reduce his taxes. Roughly speaking, his taxes will be less or greater in proportion as his house is worth more or less than his land.

57. *Q.* Would the single tax yield sufficient revenue for all government purposes, local, state, and national?

A. Careful estimates by Mr. Thomas G. Shearman indicate that all present taxes amount to not much more than one-half of the annual site value of the land. But, he said:

> The honest needs of public government grow faster than population and fully as fast as wealth itself. Local taxation will increase rapidly; and it ought to do so. . . . . This does not imply that ground rent will not be sufficient to supply many, possibly all, of those additions to human happiness which Henry George has pictured in such glowing words. But such extensions of the sphere of government must take place gradually; or they will be ruinous failures, simply because the state cannot at once furnish the necessary machinery for their successful operation.

58. *Q.* What expected result of the single tax needs studious emphasis?

A. That it would unlock the land to labor at its present value for use, instead of locking out labor from the land by a prohibitive price based upon the future value for use.

59. *Q.* Is it correct to say that "land" is one thing, and the "rent of land" another and quite different thing, and

that to take in taxation the rent of land it is not necessary to take the land itself?

A. Ninety-one professors of political economy have answered "Yes." Twenty-three have answered "No."

60. *Q.* Do you believe that economic rent ought to furnish a larger proportion of public revenue than it does now?

A. One hundred and nineteen professors of political economy have answered "Yes." Eight have answered "No."

61. *Q.* Do you think there would be any injustice in taking by taxation the future increment in the value of land?

A. Fifteen professors of political economy have answered "Yes." Ninety-four have answered "No."

62. *Q.* Would it be wise to take gradually in taxation say one-quarter, one-half, or three-quarters of the future increase in economic rent?

A. One hundred and one professors of political economy have answered "Yes." Twenty-nine have answered "No."

63. *Q.* How could the single tax be put into operation?

A. By gradually transferring to land all taxes not already on it.

64. *Q.* How might such a plan be worked out?

A. If fifty cents per thousand should be deducted yearly for thirty years from the rate on all property other than land, the reduction would finally amount to $15 per thousand, and it would then be practically exempt from all taxation.

65. *Q.* But how could it be worked out in case of the land?

A. Recognizing that a right thing may be done in a wrong way, it is insisted that a right way ought to be found to do a thing that ought to be done. The following is presented as a natural and convenient *unit of calculation:* To be exact, *an average of about 20 per cent of the gross ground rent of land is now taken in taxation, for instance, in Boston, as well as for the whole state of Massachusetts. If an additional 1 per cent should be taken each year for thirty years, it would amount at the end of that period to 30 per cent, which, added to 20 per cent, would make 50 per cent, or one-half, which is about the average proportion that present taxes levied on all property bear to gross ground rent. Meantime few landowners would feel the change, much less be prejudiced by it.*

The following variable illustrations, A, B, and C, make clear

A "Modus Operandi"

A

Increase of Present Tax

For instance, applied to the assessment of a specific lot of land for which the user pays a gross ground rent of say.....	$68.00
Of which amount there is taken in taxation, 1915.....	$18.00
Leaving a net income to the owner of.....	$50.00
The selling value (presumably also the assessed valuation) would be at 5 per cent.....	$1,000.00
Proceeding to take yearly from now on 1 per cent additional of the gross ground rent of $68 for a period of thirty years would amount in all to 30 per cent of $68, equal to.....	$20.40
Which, added to the tax already taken.....	$18.00
Would give at the end of thirty years, from the $1,000 worth of land alone, everything else being exempted, a total tax of	$38.40
Which is not much more than one-half of the gross ground rent of	$68.00

The opening exhibit in detail would stand as follows:

In 1915 the tax on this $1,000 worth of land was..... $18.00
In 1916 the tax would be $18 plus 68 cents (1 per cent of the gross ground rent, $68); equal to..... $18.68
Reducing the owner's net rent from $50 to $49.32.
In 1917 the tax would be $18 plus $1.36 (2 per cent of the $68), totaling $19.36
Reducing the owner's net rent from $50 to $48.64.
In 1918 the tax would be $18 plus $2.04 (3 per cent of the $68), or $20.04
Reducing the owner's net rent from $50 to $47.96.
In 1945 the tax on the land would be $18 plus $20.40 (30 per cent of the $68) or..... $38.40
With all improvements exempted.
Reducing the owner's net rent from $50 to $29.60.

B

For a Future Increment Tax

The taking in taxation of any desired proportion of the future increment could be accomplished simply by continuing the present valuation and present rate as constant factors and making a separate individual assessment of the increment tax after the following or similar formula, according to the proportion to be taken. For instance, to take in taxation 50 per cent of the future increase:

Year	Valuation	Increment	Rate per M.	Tax for Each Year
1915	$1,000			
1916	1,040	$40	$25	Tax for year 1916, $1
1915	1,000			
1917	1,080	80	25	Tax for year 1917, $2
1915	1,000			
1918	1,120	120	25	Tax for year 1918, $3
1915	1,000			
1919	1,160	160	25	Tax for year 1919, $4
1915	1,000			
1920	1,200	200	25	Tax for year 1920, $5

In applying this formula it would be necessary after the first few years at least to increase the rate to correspond to the decrease in assessed valuation due to this new tax. For computations upon this and related points, see the *Report of the New York City Commission on New Sources of City Revenue* (1913), p. 7 and Appendices X to XV.

C

The Assessment of Rent

It should be reiterated that inasmuch as gross ground rent, actual or potential, is the initial factor in getting at the value of land, it cannot be unprofitable to become familiar with a more correct formula as expressed in terms of rent.

Starting with the present unit of annual value for use to take in taxation in 25 years 50 per cent of the future increase in ground rent:

Year	Net Ground Rent	Increment	Percentage of Rent	Tax for Each Year
1915	$50			
1916	52	$2	50	Tax for year 1916, $1
1915	50			
1917	54	4	50	Tax for year 1917, $2
1915	50			
1918	56	6	50	Tax for year 1918, $3
1915	50			
1919	58	8	50	Tax for year 1919, $4
1915	50			
1920	60	10	50	Tax for year 1920, $5
1915	50			
1940	100	50	50	Tax for year 1940, $25

66. *Q.* What has the single tax to say about the taxation of forest lands?

A. Perhaps the majority opinion would be to tax annually all forests old or new on what would be the value of the land if denuded of all growth—a stumpage tax to be collected upon old growth timber when cut, but not upon new growth such as may reasonably be classed as a cultivated crop.

APPENDIX

I

The Physiocrats

A SCHOOL of economists represented by Quesnay and Turgot, who flourished in the latter part of the eighteenth century, advanced a plan for the taxation of land which bore a superficial resemblance to the single tax. We do not need to give them extended notice here, because the *impôt unique* of Quesnay and his school so far differed from the single tax of Henry George, both in its underlying theory and in its avowed purpose, that only confusion can result from associating them under a common name. The physiocrats believed that all taxes, however laid, finally fall upon the net product of the soil, which they considered the only fund from which taxes can possibly come. They held that taxes on industry, trade, or commodities do not fall upon consumers, but, increased by needless costs of collection and aggravated by the injury done to trade, are finally shifted back to the landowner. Therefore they advocated the abolition of all other taxes and the establishment of a single tax, not on the potential rent of land, but on the net product of land. This was not for the purpose of altering the incidence of taxation, but was advocated merely as the cheapest and least disadvantageous method of collecting the taxes which the landowners, under any system of taxation, were supposed to be ultimately bound to pay. Far from regarding private appropriation of rent as evil, like Mr. George, the physiocrats accepted it as part of the natural order of society; and their fiscal proposal

was designed merely to reduce the cost of collecting the nation's taxes and to avoid the incidental evils of taxes on industry and commerce. The idea of socializing, by taxation, the economic rent of land never entered into the physiocratic philosophy; and modern admirers of the physiocrats have been vainly challenged to produce any evidence that the school ever understood the theory of rent or anticipated in any way the conclusions which Henry George based upon that theory. No one having a first-hand knowledge of the writings of the physiocrats, which Mr. George expressly disclaimed, will maintain that anything more than a purely nominal relationship and superficial resemblance exist between the ideas of the French economists and the teaching of Henry George.

It is worthy of remark that the foregoing view has commanded the general assent of our leading present-day economists, of whom 105 have expressed formal approval, while 13 have formed no opinion, and only 3 recorded themselves in opposition.

II

Thomas Spence, 1750–1815

THOMAS SPENCE is one of the earliest names to traverse our field of observation. Son of a net-maker, he was a school teacher, equally appreciated for his ability and distinguished for his eccentricity. In a lawsuit concerning an inclosed common in Newcastle, it was decided that the rent of the land involved should be divided among all the free men of the town. This decision gave Spence the suggestion for a paper on "The Constitution of a Perfect Commonwealth," which he read before the Philosophical Society of Newcastle in 1775. He argued, in this essay, that the rent of all land should be distributed similarly. The proposal was not well received, and Spence was expelled from the Society for printing his paper. After his expulsion he moved to London, where he maintained himself as a bookseller. The proposal which he sets forth in his "Constitution of a Perfect Commonwealth" might be described as a scheme for the socialization of the rent of both land and improvements. The following quotations will be sufficient to convey a fair statement of his doctrine, so far as it relates to the treatment of rent in the meaning of the term generally accepted at that time:

> Let it be supposed, then, that the whole people in some country, after much reasoning and deliberation, should conclude that every man has an equal property in the land in the neighborhood where he resides. They therefore resolve that if they live

in society together it shall only be with a view that everyone may reap all the benefits from their natural rights and privileges possible. Therefore a day is appointed on which the inhabitants of each parish meet, in their respective parishes, to take their long-lost rights into possession, and to form themselves into corporations. So then each parish becomes a corporation, and all the men who are inhabitants become members or burghers. The land, with all that appertains to it, is in every parish made the property of the corporation or parish, with as ample power to let, repair, or alter all, or any part thereof, as a lord of the manor enjoys over his lands, houses, etc., but the power of alienating the least morsel, in any manner, from the parish, either at this or any time hereafter, is denied. For it is solemnly agreed to, by the whole nation, that a parish that shall either sell, or give away, any part of its landed property shall be looked upon with as much horror and detestation, and used by them as if they had sold all their children to be slaves, or massacred them with their own hands. Thus are there no more for other landlords, in the whole country than the parishes; and each of them is sovereign landlord of its own territories. . . . .

There you may behold the rent, which the people have paid into the parish treasuries, employed by each parish in paying the government so much per pound to make up the sum which the parliament or national representation at any time think requisite; in maintaning and relieving its own poor, and people out of work; in paying the necessary officers their salaries; in building, repairing, and adorning its houses, bridges, and other structures; in making and maintaining convenient and delightful streets, highways, and passages, both for foot and carriages; in making and maintaining canals and other conveniences for trade and navigation; in planting and taking in waste grounds; in providing and keeping up a magazine of ammunition and all sorts of arms sufficient for all its inhabitants in case of danger from enemies; in premiums for the encouragement of agriculture, or anything else thought worthy of encouragement; and, in a word, in doing whatever the people think proper; and not, as formerly, to support and spread luxury, pride, and all manner of vice. . . . .

There are no tolls or taxes of any kind paid among them, by native or foreigner, but the aforesaid rent. The government, poor, roads, etc., etc., as said before, are all maintained by the

parishes with the rent; on which account, all wares, manufactures, allowable trade, employments, or actions are entirely duty-free. Freedom to do anything whatever cannot there be bought; a thing is either entirely prohibited, as theft or murder, or entirely free to everyone, without tax or price.

When houses, lands, or any tenements become vacant they are let publicly by the parish officers in seven years' leases to the best bidder. This way prevents collusion, to the prejudice of the parish revenue, and likewise prevents partiality.

Methinks I now behold the parish republics, like fraternal or benefit societies, each met at quarter-day to pay their rents and to settle their accounts, as well with the State as with all their parochial officers and workmen, their several accounts having been examined some days before.

On that day, which is always a day, not, as now, of sorrow, but of gladness, when the rents are all paid in, and the sum total proclaimed, the first account to be settled is the demand made by the national representation of so much per pound in behalf of the State, which sum is set apart to be sent to the national treasury. Another sum is also set apart for the parish treasury to answer contingencies till next quarter-day. Next the salaries of the parish officers are paid. Then are paid the respective bills of their workmen, as masons, bricklayers, carpenters, glaziers, painters, etc., who have been employed in building or repairing the houses and other parish buildings. After these come the paviors, lamplighters, watchmen, scavengers, and all the other work-people employed by the parish, to receive their demands, until none remain. Then the residue of the public money or rents, after all public demands are thus satisfied, which is always two-thirds, more or less, of the whole sum collected, comes lastly to be disposed of, which is the most pleasant part of the business to everyone. The number of parishioners, and the sum thus left to be divided among them being announced, each, without respect of persons, is sent home joyfully with an equal share.

The defects and fallacies in Spence's reasoning are obvious. In the first place, he had no conception of the nature of economic rent, and used the term rent to include both the rent of land and the rent of houses and other improvements upon it.

This failure to distinguish between rent and interest is sufficient to vitiate his treatment of the whole subject. Moreover, he did not discriminate, as did Ogilvie, at about the same time, between the various kinds of value in the case of land. This defect was an exhibition of weakness in scientific analysis. Furthermore, his proposal of a seven-year period between leases would give to tenants the advantage of a large part of the future increment of land value. Finally, his conclusion was manifestly illogical that the alleged equal right to land requires the equal distribution of the surplus of the rent above the amount needed for taxes. Indeed, the fundamental fallacy of his scheme was in his corollaries to the doctrine of equal rights, which he comprehended dimly and interpreted crudely. His plan was thus based on an insecure foundation, and not on incontestable economic expediency and social justice. The whole project is far removed from the single-tax plan as it has taken shape in the writings of Henry George and his followers.

It will be seen that Spence bases his whole scheme on the equal right of all men to land. This was also a principle which Henry George emphasized as one of the supports of his single tax. In fact, the whole scheme has a superficial resemblance to that of Henry George. In both is assumed the equal right to land; in both is this right to be liquidated by a joint appropriation of rent; in both is the right to the private ownership of land and the private appropriation of rent denied; in both rent is to be made the sole revenue of the State. But there are important differences. Spence having, unlike George, no conception of economic rent as a social product, could make no second claim for the right of its appropriation by the State on this basis. His fatal shortcoming was the failure to make the vital distinction between income from land

and income from improvements, which modern economists insist upon as the difference between rent and interest. He proposed to "nationalize" land by making the parish the universal landlord, in this respect suggesting the line of thought of Herbert Spencer in his earlier writings. George would adopt the simpler expedient of leaving the former "owners" in undisputed "possession" after appropriating from them practically the entire volume of economic rent.

III

William Ogilvie, 1736–1817

WILLIAM OGILVIE was born in Pittensear, Scotland, 1736. Information concerning his life is very meager. At nineteen years of age he entered King's College, Aberdeen, from which he was graduated in 1759. He was then appointed master of a grammar school at Cullen, where he remained for one year. In 1760–61 he attended the University of Glasgow, and in the following year the University of Edinburgh. In November, 1761, he was appointed assistant professor of philosophy in King's College, Aberdeen, with the understanding that he should be chosen to fill the first vacancy in a regent's place. His appointment as full regent was made in 1765. The following year he exchanged offices with the professor of humanity, and continued to teach the humanity classes until 1817, when he died. It is said that Professor Ogilvie was the most energetic member of the college senate, and he frequently came into conflict with his conservative colleagues on account of his progressive views. The pages of the college minutes are punctuated with his vigorous protests against decisions of the majority.

Ogilvie's great work, *An Essay on the Right of Property in Land with Respect to Its Foundation in the Law of Nature, Its Present Establishment by the Municipal Laws of Europe and the Regulations by Which It Might Be Rendered More Beneficial to the Lower Ranks of Mankind,* was written during

the years 1776–81, and was published in 1782.[1] The work is a notable contribution to economic literature, a product of original and independent thinking.

At the outset of the discussion he makes two important contributions to the theoretical analysis of the land question. These are: (1) his recognition of a conflict between the alleged common right to land and the claims to more than an equal share of land founded on labor and supported by the concrete requirements of economic progress; (2) his distinction between three kinds of land value, viz., original value, accessory or improved value, and contingent or improvable value.

As to the first of these, Ogilvie takes as his starting-point in examining the basis of the right of property in land the proposition, "All right of property is founded either in occupancy or labor." From this premise he reasons further as follows:

> The earth having been given to mankind in common occupancy, each individual seems to have by nature a right to possess and cultivate an equal share. This right is little different from that which he has to the free use of the open air and running water.

With respect to the right of occupancy he holds:

> No individual can derive from this general right of occupancy a title to any more than an equal share of the soil of this country. His actual possession of more cannot of right preclude the claim of any other person who is not already possessed of equal share.
>
> This title to an equal share of property in land seems original, inherent, and indefeasible by any act or determination of others, though capable of being alienated by our own. It is a birthright which every citizen still retains.

[1] Republished as *Birthright in Land* by Kegan Paul, Trench, Trübner & Co., Ltd., London, 1891.

Concerning the claims to an unequal share of land founded on labor, he argues:

That right which the landholder has to an estate, consisting of a thousand times his own original equal share of the soil, cannot be founded in the general right of occupancy, but in the labor which he and those to whom he has succeeded, or from whom he has purchased, have bestowed on the improvement and fertilization of the soil. To this extent it is natural and just; but such a right founded in labor cannot supersede that natural right of occupancy which nine hundred and ninety-nine other persons have to their equal shares of the soil in its original state. Although it may bar the claims of individuals, it cannot preclude that of the legislature, as trustee and guardian of the whole.

The conflict between these two rights—the claims to an equal share of land, involving right of occupancy, and the claim to more than an equal share, based on labor—Ogilvie sets forth in these words:

That every man has a right to an equal share of the soil, in its original state, may be admitted to be a maxim of natural law. It is also a maxim of natural law, that everyone, by whose labor any portion of the soil has been rendered more fertile, has a right to the additional produce of that fertility, or to the value of it, and may transmit this right to other men. On the first of these maxims depend the freedom and prosperity of the lower ranks; on the second, the perfection of the art of agriculture, and the improvement of the common stock and wealth of the community. Did the laws of any country pay equal regard to both these maxims, so as they might be made to produce their respective good effects, without intrenching on one another, the highest degree of public prosperity would result from this combination.

He adds this acute observation: "Rude nations have adhered to the first of these maxims, neglecting the second. Nations advanced in industry and arts have adhered to the second, neglecting the first."

The crux of the land problem, according to Ogilvie's analysis, lies in the reconciliation of these two conflicting rights. He states:

To establish a just combination of these two maxims, at the original foundation of states, so as to render it a fundamental part of their frame and constitution, or to introduce it afterwards, with as little violence as may be, to the actual possessions and supposed rights and interests of various orders of men, ought to be the object of all agrarian laws; and this object being once distinctly conceived, if wise and benevolent men will turn their attention towards it, no doubt need be entertained that very practicable methods of carrying it into execution will in time be discovered, by comparison of projects, or from the result of trials.

In the second place, Ogilvie analyzes the price paid by the purchaser for a piece of land into three parts, each of which he declares to be, "the value of a distinct subject, the separate amount of which men skilful in agriculture and acquainted with the soil of the country might accurately enough appreciate." These parts are:

(1) The original value of the soil, or that which it might have borne in its natural state, prior to all cultivation.

(2) The *accessory* or *improved* value of the soil: that, to wit, which it has received from the improvements and cultivation bestowed on it by the last proprietor, and those who have preceded him.

(3) The *contingent* or *improbable* value of the soil: that further value which it may still receive from future cultivation and improvements, over and above defraying the expense of making such improvements — or, as it may be otherwise expressed, the value of an exclusive right to make these improvements.

On the basis of this analysis of three kinds of land value Ogilvie proceeds to discriminate between the right of the individual and the right of the community in the premises. He holds that the individual has a full right to the entire

accessory or improved value. To the original value, and the contingent or improvable value, however, the individual has only a limited right, viz., a right to such portion of these values as would fall to his share on an equal division of the land among all members of society. His statement of the respective rights of individual and society is as follows:

The estate of every landholder may, while he possesses it, be considered as capable of being analyzed into these three component parts: and could the value of each be separately ascertained by any equitable method (as by the verdict of an assize), it would not be difficult to distinguish the nature and the extent of his private right, and of that right also which still belongs to the community, in those fields which he is permitted, under the protection of municipal law, to possess. He must be allowed to have a full and absolute right to the original, the improved, and contingent value of such portion of his estate as would fall to his share on an equal partition of the territory of the State among the citizens. Over all the surplus extent of his estate he has a full right to the whole accessory value, whether he has been the original improver himself, or has succeeded to or purchased from the heirs or assignees of such improver. But to the original and contingent value of this surplus extent he has no full right. That must still reside in the community at large, and, though seemingly neglected or relinquished, may be claimed at pleasure by the legislature, or by the magistrate, who is the public trustee.

Underlying Ogilvie's suggestions or proposals for reconstruction of the land system is his belief that the prosperity of the State lies in the encouragement of agriculture rather than in the development of manufactures. He shares the physiocratic notion that labor applied to agriculture is more productive than labor applied in manufactures.

The labor of men applied to the cultivation of the earth tends more to increase the public wealth, for it is more productive of things necessary for the accommodation of life, wherein all real

wealth consists, than if it were applied to any other purpose: and all labor applied to refined and commercial arts, while the State can furnish or procure opportunities of applying it to the cultivation of the soil, may be said to be squandered and misapplied, unless in so far as it is given to those liberal arts, whose productions operate on the mind, and rouse the fancy or the heart.

He is of the further opinion that the well-being of the population also demands the encouragement of agriculture. He holds that the—

best, plainest, and most effectual plan which any government can pursue for increasing the happiness and the numbers of its people is to increase the number of independent cultivators, to facilitate their establishment, and to bring into that favorable situation as great a number of citizens as the extent of its territory will admit. . . . . Of two nations equal in extent of territory and in number of citizens, that may be accounted the happiest in which the number of independent cultivators is the greatest.

He holds that there is a current issue between the demands of national prosperity which call for encouragement of independent cultivation, and the implications of natural rights which point to equal division of the soil.

Any given country [he reasons] will then have the greatest possible number of independent cultivators, when each individual of mature age shall be possessed of an equal share of the soil; and in such country the common measure or standard of happiness will probably have reached its highest degree.

Whether, therefore, we inquire into the natural rights and privileges of men, or consult for the best interests of the greater number, the same practical regulations for the economy of property in land seem to result from either inquiry.

Ogilvie thus treats the land question with reference only to agricultural interests. He did not touch the problem of urban rents. His sole aim was to encourage independent cultivation

by diffusing land ownership as largely as possible throughout the population. He believed that by reforms so aimed the original right of occupancy and the acquired right of labor might be reconciled, or that the land-system of the present might be brought into closer agreement with these two rights. The fundamental purpose of his recommendations is the diffusion of land ownership in the interest of independent cultivation, rather than the taxation of rent in the interest of social justice.

The land taxes proposed by Ogilvie were as follows: the special taxation of large farms and short leases; taxation of barren lands in order to promote their improved cultivation; taxation of all increase of rents, even to the amount of one-half.

(1) Ogilvie advises us to work toward an ultimate ideal by following the lines of least resistance:

> Without venturing to make openly any alteration in that system of landed property, which, like systems of corrupted religion, is regarded with superstitious reverence in countries where it has long obtained, many occasions will occur, whereof advantage may be taken to introduce, under the cover of other objects, and as part of the usual proceedings of the State, such regulations as may tend very effectually, though by remote and indirect influence, to promote the independence of the plow, and the distribution of property in land, in small allotments, among the lowest ranks of the people.

(2) In the following is an intimation that if we cannot destroy we may clip the wings of privilege:

> If, for example, new taxes are to be levied, what subjects of taxation can be more justly liable to the imposition, or more productive, than large farms and short leases? The landlord, by adopting these plans in the management of his estate, means to derive advantage to himself, from measures which at once

obstruct the increase in population and diminish the spirit and independence of the common people; and if his right to make these invasions on the public good cannot be directly attacked, let him at least be obliged to indemnify the public in some degree, by some other mode, more familiar to the minds of men.

(3) Here is the "single tax" abolishing speculation in land:

A tax imposed on barren lands, and so regulated as to engage the proprietor in their immediate cultivation, or oblige him to resign them to the community for general distribution, could not be esteemed in the smallest degree unjust. His right to these barren lands is founded solely on occupation; there is no improved value superadded, no right accruing from labor bestowed, and as he occupies, besides, more than his equal share of the soil, the whole unimproved tracts of his estate belong strictly and entirely to the public; and no small indulgence is shown in giving him an option to improve or to resign them.

(4) Here is John Stuart Mill's proposition to tax the "future unearned increment" almost in an inspired prophecy of the modern German and British movement:

A tax on all augmentation of rents, even to the extent of one-half the increase, would be at once the most equitable, the most productive, the most easily collected, and the least liable to evasion of all possible taxes, and might with inconceivable advantage disencumber a great nation from all those injudicious imposts by which its commercial exchanges are retarded and restrained, and its domestic manufactures embarrassed.

(5) Here Ogilvie almost reaches the concept of rent and land value as a social product:

The original value of the soil is, in such states, in fact, treated as a fund belonging to the public, and merely deposited in the hands of great proprietors, to be, by the imposition of land taxes, gradually applied to the public use, and which may be justly drawn from them, as the public occasions require,

until the whole be exhausted. Equity, however, requires that from such land taxes those small tenements which do not exceed the proprietor's natural share of the soil should be exempted. To separate the contingent value from the other two is less difficult, and of more importance; for the detriment which the public suffers by neglecting this separation, and permitting an exclusive right of improving the soil to accumulate in the hands of a small part of the community, is far greater, in respect both of the progress of agriculture and the comfortable independence of the lower ranks.

(6) And finally here is the very essence of the proposition for the single tax:

Without regard to the original value of the soil, the gross amount of property in land is the fittest subject of taxation; and, could it be made to support the whole expense of the public, great advantage would arise to all orders of men. What then, it may be said, would not in that case the proprietors of stock in trade, in manufacture and arts, escape taxation, that is, the proprietors of one-half the national income? They would, indeed, be so exempted, and very justly and very profitably for the State; for it accords with the best interests of the community, through successive generations, that active progressive industry should be exempted, if possible, from every public burden, and that the whole weight should be laid on that quiescent stock, which has been formerly accumulated, as the reward of an industry which is now no longer exerted.

Ogilvie framed a formal proposal, lengthy and minute, of a progressive agrarian law for a new and better allotment of the land. His other writings display remarkable insight into underlying principles and foresight of the course that it has taken a century to embody into statute.

The foregoing summing-up by Ogilvie for the defense of his land-tax proposals is worthy of careful study. He presents the formula, hallowed by experience before and after, that the best way to work toward an ultimate ideal is by

following the line of least resistance. His taxation of large farms contained the suggestion that although we cannot destroy we may begin thus to clip the wings of privilege. No modern economist has made plainer the proposition to tax the future unearned increment. In his proposal to treat rent as a public fund, to be gradually applied to public use by the imposition of land taxes, is found the very essence and flower of the single tax of Henry George and Thomas G. Shearman. He foresaw large social benefits in the way of a healthier and more virtuous community freed from poverty and war, and the stimulated industry and commerce which were to follow his prescriptions. Finally, his enumeration of the moral benefits to accrue to mankind from a realization of his fiscal ideal is a brilliant prognostication that no later and greater economic light has sufficed to dim.

But Ogilvie's failure to grasp the full significance of economic rent, especially urban rent, as a social product, and the stress laid by him on his proposed agrarian law, a plan devoted to a now admittedly impossible mechanical allotment of land; are responsible for his being relegated from the Authorities to the Appendix.

IV

Thomas Paine, 1737–1809

THOMAS PAINE was born at Thetford, England, in 1737. He came to America thirty-seven years later, settling in Philadelphia, where he entered journalism. He was active in the War of Independence, and in 1777 was made Secretary of the Committee of Foreign Affairs. He left America in 1787 to visit Paris and London. In London he published his *Rights of Man,* written in 1792 as a reply to Burke's *Reflections on the French Revolution.* He was elected to the Convention in Paris, and also to the committee for framing a new constitution. In 1794 he was imprisoned for a time by the revolutionary extremists, but finally returned to America in 1802 and lived in New York City till his death in 1809.

Paine had an extraordinarily acute and original mind which illuminated every problem on which he turned it. His attention was called to land taxation through the French communistic movement, led by Babeuf. This agitation was suppressed and the leader executed in 1796. During the winter of 1795–96 Paine wrote his pamphlet on agrarian justice, in which he proposed a novel remedy for poverty. This pamphlet appeared first in Paris, 1797, with the title: "*Thomas Payne, à la Législateur et au Directoire. Ou la Justice Agraire opposée à la Loi Agraire, et aux privilèges agraires.* Prix 15 sols. A Paris, chez la citoyenne Ragouleau, près le Théâtre de la République, No. 229. Et chez les Marchands de Nouveautés."

The scheme outlined briefly in this essay might be characterized as a plan for the endowment of old age, to be financed through a tax on ground rent. Paine's proposals are strongly prophetic of the policy embodied in the British Old Age Pension Act of 1908 and the Budget of 1910. The principle of this policy is the same as that underlying Paine's scheme. The idea is to tax land values and to use the proceeds for the abolition of poverty.

In the author's Inscription, prefaced to the essay, Paine distinguishes two kinds of property, natural and artificial. Natural property is that which comes to us from the Creator of the universe, such as earth, air, water. Artificial property is acquired property, the invention of men. Paine points out that equality of acquired property is impossible. To distribute it equitably would require that all should have contributed in the same proportion, which can never be. Equality may be attained, however, in the case of natural property. "Every individual in the world," Paine maintains, "is born with legitimate claims to a certain kind of property, or its equivalent."

The real starting-point of Paine's argument is the alleged common right to land. "It is a position not to be controverted," he states, "that the earth, in its natural uncultivated state, was, and ever would have continued to be, the common property of the human race." Paine recognizes, however, the right of individual property in improvements made on the land. Moreover, he perceives that it is impossible to separate these from the soil itself. This fact brought about individual ownership of land. When cultivation began and the results of individual labor were put into the soil, the right of private ownership necessarily came to be recognized. Historically, Paine finds that the beginning of landed property was contem-

poraneous with the rise of agriculture. Private property in land was unknown in the early hunter and pastoral stages.

This view is set forth in the following:

> There could be no such thing as landed property originally. Man did not make the earth, and, though he had a natural right to occupy it, he had no right to locate as his property in perpetuity any part of it; neither did the creator of the earth open a land-office, from whence the first title-deeds should issue. Whence, then, arose the idea of landed property? I answer as before, that when cultivation began the idea of landed property began with it, from the impossibility of separating the improvement made by cultivation from the earth itself, upon which that improvement was made. The value of the improvement so far exceeded the value of the natural earth, at that time, as to absorb it, till, in the end, the common right of all became confounded into the cultivated right of the individual. But there are, nevertheless, distinct species of rights, and will continue to be so long as the earth endures.[1]

Notwithstanding this practical necessity for landed property, it nevertheless remains true, Paine contended, that it is the value of the improvements only, and not the earth itself, that is individual property. "Every proprietor of cultivated land," he concludes, "therefore owes to the community a ground rent (for I know of no better term to express the idea) for the land which he holds." Here Paine distinguishes the two kinds of land value, the original or natural value of land in its uncultivated state, and the value of the improvements made by cultivation. He fails to see the site value due to the growth and activities of the community, as distinguished from the effort and enterprise of the individual cultivator. William Ogilvie pursued the analysis of land value at this point further than Paine. He recognized, in addition to original or im-

[1] *Political Works of Thomas Paine,* published by Peter Eckler, New York, 1891.

proved value, a contingent or improvable value of the soil. Paine's analysis of land value is thus partial and superficial.

In dealing with land, the State, in Paine's opinion, should seek to retain the individual property in improvement value while restoring the common property in original values. The solution of this problem which he proposed called for the creation of a national fund, by taxation, out of which payments should be made to the citizens. (1) There should be paid to every person, on reaching the age of twenty-one years, the sum of fifteen pounds sterling as partial compensation for the loss of his natural inheritance of the land through the introduction of a system of private land ownership. (2) There should be paid to every person, on reaching the age of fifty years, the sum of ten pounds annually during the remainder of his life.

The fund would be accumulated by taking one-tenth of the value of property reverting annually by death to direct heirs, and two-tenths of property so reverting to indirect heirs. Paine assumes that thirty years is the average period of the complete devolution of property by descent, that is, of its transmission by death to new owners. Accordingly, on the average, one-thirtieth of the value of property would be passing each year by death to new possessors. This one-thirtieth of the value of property would be the basis for levying tithes to accumulate the endowment fund.

It should be noted that Paine would include personal property as well as landed property in the valuation. He holds that personal property is the effect of society, since he thinks it is impossible for the individual to acquire personal property without the aid of society. He would therefore levy tithes for his endowment funds upon personal as well as landed estate.

This unique scheme is characterized by Paine as a new

system of civilization, designed to supplement the new system of government introduced by the French Revolution. In closing his essay he remarks concerning the social significance of this proposal:

> It is a revolution in the state of civilization that will give perfection to the revolution of France. Already the conviction that government by representation is the true system of government is spreading itself fast in the world. The reasonableness of it can be seen by all. The justice of it makes itself felt even by its opposers. But when a system of civilization, growing out of that system of government, shall be so organized that not a man or woman born in the Republic but shall inherit some means of beginning the world, and see before them the certainty of escaping the miseries that under other governments accompany old age, the revolution of France will have an advocate and an ally in the heart of all nations.
>
> An army of principles will penetrate where an army of soldiers cannot; it will succeed where diplomatic management would fail: it is neither the Rhine, the Channel, nor the Ocean that can arrest its progress; it will march on the horizon of the world, and it will conquer.

In Paine's proposition we find little in common with the modern single-tax movement. He based his reform upon the doctrine of the equal rights to land. In common with the modern movement, he recognized the necessity of exclusive private "possession" of the soil in the interest of its efficient utilization, and he also recognized the full individual property rights in improvements. Finally, he would make the appropriation of ground rent by the community an offset for the surrender of "equal rights," here again anticipating Henry George's line of thought. There are, therefore, some resemblances, but the differences are radical. While distinguishing between "original" and "improvement" values in land, he shows no understanding of the true nature of the original

value as a social product, and hence cannot rest his claim to the joint right of the community to ground rent on this basis. The revenue was to be collected by the device of an inheritance tax on both land and personal property, herein differing widely both in method and principle from the present proposition; it was to be merely one item in a general revenue system, and not a "single" tax; and, when collected, it was not to be used for general government expenses, but, in supposedly logical fulfilment of its origin in equal rights to land, it was to be distributed among the individual members of the community in endowments and pensions, as a recompense for the surrender of these rights. Paine's thought here somewhat resembles that of Thomas Spence.

It might be proper to remark that had Paine's views on property been acceptable to authority, his views on religion (which do not now seem to thinking persons heretical) would not have come in for much abuse.

V

Herbert Spencer, 1820–1903

HERBERT SPENCER was born at Derby, England, in 1820, and died in 1903. He was the son of a schoolmaster, and received his early education from his father and an uncle, Rev. Thomas Spencer. The offer of a university training he declined, and was mainly self-taught in the higher scientific and philosophical subjects. In 1837 he became a civil engineer, and for the next nine years was engaged in railroad engineering. Abandoning that profession in 1846, he devoted himself to literary and philosophical pursuits. From 1848 to 1853 he was assistant editor of the *Economist,* and during this period began to contribute articles to the *Westminster Review.* In 1855 he published his *Principles of Psychology,* a work based upon the doctrine of evolution, though appearing four years before the publication of Darwin's *Origin of Species.* In 1860 he announced his great work, *A System of Synthetic Philosophy,* which was completed in 1897, substantially as originally planned. Vol. I of that work treats of "First Principles"; Vols. II and III, of "Principles of Biology"; Vols. IV and V, of "Principles of Psychology"; Vols. VI, VII, and VIII, of "Principles of Sociology"; and Vols. IX and X, of "Principles of Morality or of Ethics." In spite of poor health Spencer found time to write numerous essays and various works on educational, sociological, political, and scientific subjects. The influence of his writings extended to almost every branch of knowledge, but his position in the

history of thought will probably be that of the leading philosophical exponent of the doctrine of evolution.[1]

Spencer's *Social Statics,* published in 1850, was his first important work. As its subtitle indicates, it is an inquiry into "the conditions essential to human happiness." Starting with the doctrine of the existence of the moral sense, Spencer seeks to find "a proper basis for a systematic morality." Such a morality must be the law of the perfect man, a code of rules for the behavior of men, not as they are, but as they should be; one which determines the relationships in which men ought to stand to each other, and states the conditions under which perfect human beings might harmoniously combine in a normal, or perfect, society. Obviously, such a moral system may be termed "the science of social life."

As this definition of morality implies, Spencer believes in the perfectibility of man — that is, in human progress. What we call evil, results from the imperfect adjustment or adaptation of man to the conditions under which he lives. Civilization is merely the process of adaptation by which primitive man has been fitted for the present social state; progress is the series of changes by which better adaptation is attained; and human perfectibility means merely the capability of man to become completely suited, perfectly adapted, to the highest social existence. Progress, therefore, is not an accident, but a natural process, even a necessity — "all of a piece with the development of an embryo or the unfolding of a flower." Just — as surely as there is any efficacy in educational culture, or any meaning in such terms as habit, custom, practice; so surely must the human faculties be moulded into complete fitness for the social state; so surely must the things we call evil and immorality disappear; so surely must man become perfect.

[1] See *Encyclopædia Britannica,* xxv, 634, 11th ed.; Herbert Spencer, *Autobiography,* published posthumously, in 1904.

The greatest happiness of mankind is the divine purpose. It is for man to discover the conditions under which, or by conforming to which, this greatest happiness may be attained. Since man must live in a social state, the activity of each individual is limited by the spheres of activity of others. It follows, then, that the greatest sum of happiness can be realized only by men each of whom can obtain complete happiness within his own sphere of activity without diminishing the spheres required by others. The fulfilment of this condition constitutes justice; justice, therefore, is the all-essential requisite for a normal social existence. Upon this view of the necessary conditions of the greatest happiness, Spencer bases his subsequent discussion of the adaptations, or modes of conduct, by which mankind can hope to attain a perfect social state.

The first principle of morality Spencer finds to be that "every man has freedom to do all that he wills, provided he infringes not the equal freedom of any other man"; and the rest of the volume is devoted to the development of this principle into a system of equity. Accordingly, after considering the rights of life and personal liberty, he comes to the right to the use of the earth. His discussion of this merits reproduction in full.[1]

1. Given a race of beings having like claims to pursue the objects of their desires — given a world adapted to the gratification of those desires — a world into which such beings are similarly born, and it unavoidably follows that they have equal rights to the use of this world. For if each of them "has freedom to do all that he wills, provided he infringes not the equal freedom of any other," then each of them is free to use the earth for the satisfaction of his wants, provided he allows all others the same liberty. And, conversely, it is manifest that no one, or

[1] *Social Statics*, chap. IX.

part of them, may use the earth in such a way as to prevent the rest from similarly using it; seeing that to do this is to assume greater freedom than the rest, and consequently to break the law.

2. Equity, therefore, does not permit property in land. For if *one* portion of the earth's surface may justly become the possession of an individual, and may be held by him for his sole use and benefit, as a thing to which he has an exclusive right, then *other* portions of the earth's surface may be so held; and eventually the *whole* of the earth's surface may be so held; and our planet may thus lapse altogether into private hands. Observe now the dilemma to which this leads. Supposing the entire habitable globe to be so enclosed, it follows that if the landowners have a valid right to its surface, all who are not landowners have no right at all to its surface. Hence, such can exist on the earth by sufferance only. They are all trespassers. Save by the permission of the lords of the soil, they can have no room for the soles of their feet. Nay, should the others think fit to deny them a resting-place, these landless men might equitably be expelled from the earth altogether. If, then, the assumption that land can be held as property, involves that the whole globe may become the private domain of a part of its inhabitants; and if, by consequence, the rest of its inhabitants can then exercise their faculties — can then exist, even — only by consent of the landowners, it is manifest that an exclusive possession of the soil necessitates an infringement of the law of equal freedom. For men who cannot "live and move and have their being" without the leave of others, cannot be equally free with those others.

3. Passing from the consideration of the possible to that of the actual, we find yet further reason to deny the rectitude of property in land. It can never be pretended that the existing titles to such property are legitimate. Should anyone think so, let him look in the chronicles. Violence, fraud, the prerogative of force, the claims of superior cunning — these are the sources to which those titles may be traced. The original deeds were written with the sword, rather than with the pen: not lawyers, but soldiers, were the conveyancers; blows were the current coin given in payment; and for seals, blood was used in preference to wax. Could valid claims be thus constituted? Hardly. And if not, what becomes of the pretensions of all subsequent holders of estates so obtained? Does sale or bequest generate

a right where it did not previously exist? Would the original claimants be nonsuited at the bar of reason, because the thing stolen from them had changed hands? Certainly not. And if one act of transfer can give no title, can many? No: though *nothing* be multiplied forever, it will not produce *one*. Even the law recognizes this principle. An existing holder must, if called upon, substantiate the claims of those from whom he purchased or inherited his property; and any flaw in the original parchment, even though the property should have had a score intermediate owners, quashes his right.

"But Time," say some, "is a great legalizer. Immemorial possession must be taken to constitute a legitimate claim. That which has been held from age to age as private property, and has been bought and sold as such, must now be considered as irrevocably belonging to individuals." To which proposition a willing assent shall be given when its propounders can assign it a definite meaning. To do this, however, they must find satisfactory answers to such questions as — How long does it take for what was originally a *wrong* to grow into a *right?* At what rate per annum do invalid claims become valid? If a title gets perfect in a thousand years, how much more than perfect will it be in two thousand years? — and so forth. For the solution of which they will require a new calculus.

Whether it may be expedient to admit claims of a certain standing, is not the point. We have here nothing to do with considerations of conventional privilege or legislative convenience. We have simply to inquire what is the verdict given by pure equity in the matter. And this verdict enjoins a protest against every existing pretension to the individual possession of the soil; and dictates the assertion that the right of mankind at large to the earth's surface is still valid, all deeds, customs, and laws notwithstanding.

4. Not only have present land tenures and indefensible origin, but it is impossible to discover any mode in which land *can* become private property. Cultivation is commonly considered to give a legitimate title. He who has reclaimed a tract of ground from its primitive wilderness, is supposed to have thereby made it his own. But if his right is disputed, by what system of logic can he vindicate it? Let us listen a moment to his pleadings.

"Hello, you, Sir," cries the cosmopolite to some backwoodsman, smoking at the door of his shanty; "by what authority do

you take possession of these acres that you have cleared, round which you have put a snake-fence, and on which you have built this log-house?"

"By what authority? I squatted here because there was no one to say nay — because I was as much at liberty to do so as any other man. Besides, now that I have cut down the wood, and plowed and cropped the ground, this farm is more mine than yours, or anybody's; and I mean to keep it."

"Ay, so you all say. But I do not yet see how you have substantiated your claim. When you came here you found the land producing trees — sugar-maples, perhaps; or may be it was covered with prairie-grass and wild strawberries. Well, instead of these, you made it yield wheat, or maize, or tobacco. Now, I want to understand how, by exterminating one set of plants, and making the soil bear another set in their place, you have constituted yourself lord of this soil for all succeeding time."

"Oh, those natural products which I destroyed were little or no use; whereas I caused the earth to bring forth things good for food — things that help to give life and happiness."

"Still, you have not shown why such a process makes the portion of earth you have so modified yours. What is it that you have done? You have turned over the soil to a few inches in depth with a spade or a plow; you have scattered over this prepared surface a few seeds; and you have gathered the fruits which the sun, rain, and air helped the soil to produce. Just tell me, if you please, by what magic have these acts made you sole owner of that vast mass of matter, having for its base the surface of your estate, and for its apex the center of the globe? all of which it appears you would monopolize to yourself and your descendants forever."

"Well, if it isn't mine, whose is it? I have dispossessed nobody. When I crossed the Mississippi yonder, I found nothing but the silent woods. If someone else had settled here, and made this clearing, he would have had as good a right to the location as I have. I have done nothing but what any other person was at liberty to do, had he come before me. While they were unreclaimed, these lands belonged to all men — as much to one as to another — and they are now mine simply because I was the first to discover and improve them."

"You say truly when you say that 'while they were unreclaimed these lands belonged to all men.' And it is my duty to

tell you that they belong to all men still, and that your 'improvements,' as you call them, cannot vitiate the claim of all men. You may plow and harrow, and sow and reap; you may turn over the soil as often as you like; but all your manipulations will fail to make that soil yours which was not yours to begin with. Let me put a case. Suppose, now, that in the course of your wanderings you come upon an empty house which, in spite of its dilapidated state, takes your fancy; suppose that with the intention of making it your abode you expend much time and trouble in repairing it — that you paint and paper, and whitewash, and at considerable cost bring it into a habitable state. Suppose, further, that on some fatal day a stranger is announced, who turns out to be the heir to whom this house has been bequeathed; and that this professed heir is prepared with all the necessary proofs of his identity: what becomes of your improvements? Do they give you a valid title to the house? Do they quash the title of the original claimant?"

"No."

"Neither, then, do your pioneering operations give you a valid title to this land. Neither do they quash the title of its original claimants — the human race. The world is God's bequest to mankind. All men are joint heirs to it, you among the number. And because you have taken up your residence on a certain part of it, and have subdued, cultivated, beautified that part — improved it, as you say — you are not therefore warranted in appropriating it as entirely private property. At least, if you do so, you may at any moment be justly expelled by the lawful owner — Society."

"Well, but surely you would not eject me without making some recompense for the great additional value I have given to this tract, by reducing what was a wilderness into fertile fields. You would not turn me adrift and deprive me of all the benefit of those years of toil it has cost me to bring this spot into its present state."

"Of course not: just as in the case of the house you would have an equitable title to compensation from the proprietor for repairs and new fittings, so the community cannot justly take possession of this estate without paying for all that you have done for it. This extra worth which your labor has imparted to it is fairly yours; and although you have, without leave, busied yourself in bettering what belongs to the community, yet

no doubt the community will duly discharge your claim. But admitting this is quite a different thing from recognizing your right to the land itself. It may be true that you are entitled to compensation for the improvements this enclosure has received at your hands; and at the same time it may be equally true that no act, form, proceeding, or ceremony can make this enclosure your private property."

5. It does, indeed, at first sight seem possible for the earth to become the exclusive possession of individuals by some process of equitable distribution. "Why," it may be asked, "should not men agree to a fair subdivision? If all are co-heirs, why may not the estate be equally apportioned, and each be afterwards perfect master of his own share?"

To this question it may, in the first place, be replied that such a division is vetoed by the difficulty of fixing the values of respective tracts of land. Variations in productiveness, different degrees of accessibility, advantages of climate, proximity to the centers of civilization — these, and other such considerations, remove the problem out of the sphere of mere mensuration into the region of impossibility.

But, waiving this, let us inquire who are to be the allottees. Shall adult males, and all who have reached twenty-one on a specified day, be the fortunate individuals? If so, what is to be done with those who come of age on the morrow? Is it proposed that each man, woman, and child shall have a section? If so, what becomes of all who are to be born next year? And what will be the fate of those whose fathers sell their estates and squander the proceeds? These portionless ones must constitute a class already described as having no right to a resting-place on earth — as living by the sufferance of their fellow-men — as being practically serfs. And the existence of such a class is wholly at variance with the law of equal freedom.

Until, therefore, we can produce a valid commission authorizing us to make this distribution — until it can be proved that God has given one charter of privileges to one generation, and another to the next — until we can demonstrate that men born after a certain date are doomed to slavery, we must consider that no such allotment is permissible.

6. Probably some will regard the difficulties inseparable from individual ownership of the soil, as caused by pushing to excess a doctrine applicable only within rational limits. This is a very

favorite style of thinking with some. There are people who hate anything in the shape of exact conclusions; and these are of them. According to such, the right is never in either extreme, but always half way between the extremes. They are continually trying to reconcile *Yes* and *No*. Ifs, and buts, and excepts are their delight. They have so great a faith in "the judicious mean" that they would scarcely believe an oracle if it uttered a full-length principle. Were you to inquire of them whether the earth turns on its axis from east to west, or from west to east, you might almost expect the reply — "A little of both," or, "Not exactly either." It is doubtful whether they would assent to the axiom that the whole is greater than its part, without making some qualification. They have a passion for compromises. To meet their taste, Truth must always be spiced with a little Error. They cannot conceive of a pure, definite, entire, and unlimited law. And hence, in discussions like the present, they are constantly petitioning for limitations — always wishing to abate, and modify, and moderate — ever protesting against doctrines being pursued to their ultimate consequences.

But it behooves such to recollect that ethical truth is as exact and as peremptory as physical truth; and that in this matter of land-tenure the verdict of morality must be distinctly *yea* or *nay*. Either men *have* a right to make the soil private property, or they *have not*. There is no medium. We must choose one of the two positions. There can be no half-and-half opinion. In the nature of things the fact must be either one way or the other.

If men *have not* such a right, we are at once delivered from the several predicaments already pointed out. If they *have* such a right, then is the right absolute, sacred, not on any pretense to be violated. If they *have* such a right, then is his Grace of Leeds justified in warning-off tourists from Ben Mac Dhui, the Duke of Atholl in closing Glen Tilt, the Duke of Buccleugh in denying sites to the Free Church, and the Duke of Sutherland in banishing the Highlanders to make room for sheep-walks. If they *have* such a right, then it would be proper for the sole proprietor of any kingdom — a Jersey or Guernsey, for example — to impose just what regulations he might choose on its inhabitants — to tell them that they should not live on his property unless they professed a certain religion, spoke a particular language, paid him a specified reverence, adopted an authorized dress, and conformed to all other conditions he might

see fit to make. If they *have* such a right, then is there truth in that tenet of the ultra-Tory school, that the landowners are the only legitimate rulers of a country — that the people at large remain in it only by the landowners' permission, and ought consequently to submit to the landowners' rule, and respect whatever institutions the landowners set up. There is no escape from these inferences. They are necessary corollaries to the theory that the earth can become individual property. And they can only be repudiated by denying that theory.

7. After all, nobody does implicitly believe in landlordism. We hear of estates being held under the king, that is, the State; or of their being kept in trust for the public benefit; and not that they are the inalienable possessions of their nominal owners. Moreover, we daily deny landlordism by our legislation. Is a canal, a railway, or a turnpike road to be made? we do not scruple to seize just as many acres as may be requisite, allowing the holders compensation for the capital invested. We do not wait for consent. An Act of Parliament supersedes the authority of title deeds, and serves proprietors with notice to quit, whether they will or not. Either this is equitable, or it is not. Either the public are free to resume as much of the earth's surface as they think fit, or the titles of the landowner's must be considered absolute, and all national works must be postponed until lords and squires please to part with the requisite slices of their estates. If we decide that the claims of individual ownership must give way, then we imply that the right of the nation at large to the soil is supreme — that the right of private possession only exists by general consent — that general consent being withdrawn, it ceases — or, in other words, that it is no right at all.

8. "But to what does this doctrine, that men are equally entitled to the use of the earth, lead? Must we return to the times of uninclosed wilds, and subsist on roots, berries, and game? Or are we to be left to the management of Messrs. Fourrier, Owen, Louis Blanc, and Co.?"

Neither. Such a doctrine is consistent with the highest state of civilization, may be carried out without involving a community of goods, and need cause no very serious revolution in existing arrangements. The change required would simply be a change of landlords. Separate ownerships would merge into the joint-stock ownership of the public. Instead of being in the possession of individuals, the country would be held by the

great corporate body — Society. Instead of leasing his acres from an isolated proprietor, the farmer would lease them from the nation. Instead of paying his rent to the agent of Sir John or his Grace, he would pay it to an agent or deputy-agent of the community. Stewards would be public officials instead of private ones, and tenancy the only land tenure.

A state of things so ordered would be in perfect harmony with the moral law. Under it all men would be equally landlords; all men would be alike free to become tenants. A, B, C, and the rest, might compete for a vacant farm as now, and one of them might take that farm, without in any way violating the principles of pure equity. All would be equally free to bid; all would be equally free to refrain. And when the farm had been let to A, B, or C, all parties would have done that which they willed — the one in choosing to pay a given sum to his fellowmen for the use of certain lands — the others, in refusing to pay that sum. Clearly, therefore, on such a system the earth might be inclosed, occupied, and cultivated, in entire subordination to the law of equal freedom.

9. No doubt great difficulties must attend the resumption, by mankind at large, of their rights to the soil. The question of compensation to existing proprietors is a complicated one — one that perhaps cannot be settled in a strictly equitable manner. Had we to deal with the parties who originally robbed the human race of its heritage, we might make short work of the matter. But, unfortunately, most of our present landowners are men who have, either mediately or immediately — either by their own acts or by the acts of their ancestors — given, for their estates, equivalents of honestly earned wealth, believing that they were investing their savings in a legitimate manner. To justly estimate and liquidate the claims of such, is one of the most intricate problems society will one day have to solve. But with this perplexity and our extrication from it, abstract morality has no concern. Men having got themselves into the dilemma by disobedience to the law, must get out of it as well as they can, and with as little injury to the landed class as may be.

Meanwhile, we shall do well to recollect that there are others besides the landed class to be considered. In our tender regard for the vested interests of the few, let us not forget that the rights of the many are in abeyance, and must remain so as long as the earth is monopolized by individuals. Let us remember,

too, that the injustice thus inflicted on the mass of mankind is an injustice of the gravest nature. The fact that it is not so regarded proves nothing. In early phases of civilization, even homicide is thought lightly of. The suttees of India, together with the practice elsewhere followed of sacrificing a hecatomb of human victims at the burial of a chief, show this: and probably cannibals consider the slaughter of those whom "the fortune of war" has made their prisoners, perfectly justifiable. It was once also universally supposed that slavery was a natural and quite legitimate institution — a condition into which some were born, and to which they ought to submit as to a Divine ordination; nay, indeed, a great proportion of mankind hold this opinion still. A higher social development, however, has generated in us a better faith, and we now to a considerable extent recognize the claims of humanity. But our civilization is only partial. It may by-and-by be perceived that Equity utters dictates to which we have not yet listened; and men may then learn that to deprive others of their rights to the use of the earth is to commit a crime inferior only in wickedness to the crime of taking away their lives or personal liberties.

10. Briefly reviewing the argument, we see that the right of each man to the use of the earth, limited only by the like rights of his fellow-men, is immediately deducible from the law of equal freedom. We see that the maintenance of this right necessarily forbids private property in land. On examination, all existing titles to such property turn out to be invalid, those founded on reclamation inclusive. It appears that not even an equal apportionment of the earth among its inhabitants could generate a legitimate proprietorship. We find that if pushed to its ultimate consequences, a claim to exclusive possession of the soil involves a landowning despotism. We further find that such a claim is constantly denied by the enactments of our legislature. And we find, lastly, that the theory of the co-heirship of all men to the soil is consistent with the highest civilization; and that, however difficult it may be to embody that theory in fact, Equity strictly commands it to be done.

Spencer's *Social Statics,* it will be seen, discusses the land question wholly from the point of view of an ethical philosopher expounding the doctrine of equal rights — in this case

the equal right to land. He betrays no knowledge of the law of economic rent, and suggests no remedy for the wrongs he depicts, but a form of land nationalization. It was at this point that Mr. George completed the discussion of the land question.

Henry George had, apparently, no knowledge of *Social Statics* when he wrote his pamphlet entitled *Our Land and Land Policy,* in 1871. A few years later he became acquainted with the book, and referred to it several times in *Progress and Poverty,* published in 1879.[1] It seems clear that Mr. George's earlier thought upon the land question was profoundly influenced by Spencer's doctrine concerning the equal right of all men to the use of land. He rejected, however, Spencer's suggestion of land nationalization, substituting the proposal to socialize rent through a single tax on the rental values of land. As he developed this idea he was led by his own logic further and further away from Spencer's doctrine of the equal right to the use of land. More and more he came to base the right of the community to the rent of land upon the cornerstone that economic rent is the product of the activity and expenditure of the community, and as such belongs to its creator — the community. For Spencer's equal right to land, the gift of nature, Mr. George finally substituted the right of the community to economic rent, the product of community life and activity.

A few years later, when active discussion of the land problem arose in England, Mr. Spencer published a number of letters in which, as it seemed to Mr. George, he virtually recanted his earlier opinions. Mr. George thereupon published, in 1892, *A Perplexed Philosopher,* in which he reviewed Mr. Spencer's earlier and later opinions on the land problem.

[1] See *Progress and Poverty,* Book VII, chap. III, and elsewhere.

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